

103
**FEDERAL PROGRAMS TO PROMOTE MINORITY
BUSINESS DEVELOPMENT**

Y 3. SM 1:103-13

Federal Programs to Promote Minorit...

HEARING
BEFORE THE
SUBCOMMITTEE ON MINORITY ENTERPRISE,
FINANCE, AND URBAN DEVELOPMENT
OF THE
COMMITTEE ON SMALL BUSINESS
HOUSE OF REPRESENTATIVES
ONE HUNDRED THIRD CONGRESS
FIRST SESSION

WASHINGTON, DC, MAY 18, 1993

Printed for the use of the Committee on Small Business

Serial No. 103-13



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FEDERAL PROGRAMS TO PROMOTE MINORITY BUSINESS DEVELOPMENT

TUESDAY, MAY 18, 1993

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON MINORITY ENTERPRISE,
FINANCE, AND URBAN DEVELOPMENT,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The subcommittee met, pursuant to notice, at 10 a.m., in room 2359-A, Rayburn House Office Building, Hon. Kweisi Mfume (chairman of the subcommittee) presiding.

Chairman MFUME. Ladies and gentlemen, with deference to our ranking minority member, Mr. Machtley of Rhode Island, who has not joined us yet, we are going to delay this another 5 minutes before getting started.

Ladies and gentlemen, this committee will come to order. Members of the subcommittee, witnesses, ladies and gentlemen, today marks the first in a series of hearings to be convened by the Subcommittee on Minority Enterprise, Finance, and Urban Development to examine whether or not Federal programs designed to promote minority business development are, in fact, meeting the purposes and the objectives set out by enactments that were set forth by the Congress.

Today, we will be hearing from the National Aeronautics and Space Administration. The Department of Defense, the Department of Energy, the Office of Personnel Management, and the Department of Transportation will be also brought in to testify at future meetings of this subcommittee.

By fully exercising our oversight responsibilities, we will endeavor to conclude just how agency officials view their specific roles in the administration and execution of these laws. Through this process, we hope to gauge the scope and intensity of public support for those Government programs and ultimately to make a determination about the appropriate level and the allocation of Federal resources and specific legislative initiatives required to strengthen their overall effectiveness. It is important to note that any assessment of Federal Government compliance should be done within the broader historical context of Federal Government efforts designed to promote minority business development generally.

Following widespread urban unrest in 1967, some of you will recall the Kerner Commission investigated civil disorder in the inner cities of this Nation. That investigation revealed that in the area of Government assistance to small businesses, there were vir-

tually two societies, "one black, one white ... Separate and unequal." Consequently, the Commission recommended that the Government encourage business ownership by minorities.

In response to the Kerner Commission report, Congress reformulated section 8(a) of the Small Business Act to authorize the SBA to channel Federal procurement contracts to minority-owned businesses. Other efforts to supplement this shift in Federal policy have included a succession of Executive orders, administrative directives, and legislative enactments.

This practice has resulted in a complex web of Federal programs arbitrarily designed to promote the development of small and disadvantaged businesses, or what we like to refer to as historically underutilized businesses. This admittedly haphazard fusion of programs and regulations make congressional oversight and evaluation difficult at best. Therein, in many respects, lies the potential for pervasive indifference, unsympathetic acts by any administration or any Congress, for that matter.

No examination of the Federal Government's effort to level the playing field with respect to SDB's or HUB's is complete without probing compliance efforts by Federal Government agencies with Public Law 95-507, which is our primary mission today. Enacted in October 1978, Public Law 95-507 represents a series of amendments to the Small Business Act and the Small Business Investment Act of 1958 to provide contract opportunities and goals for participation by socially, economically, and otherwise disadvantaged small business concerns with all Federal agencies.

In more recent events, Congress established the U.S. Commission on Minority Business Development in 1988. Chaired by Joshua Smith, appointed by President Bush, that commission's charge was to:

review and conduct an assessment of the operations of all Federal programs that were intended to promote and foster the development of minority-owned businesses to ascertain whether the purposes and/or objectives of such programs were, in fact, being realized.

Chairman MFUME. Although the final report was designed to recommend solutions to intrinsic barriers in our economic system that preclude equitable participation by minority enterprises, many questions raised during this 2-year undertaking still remain, even at this date, unresolved. The enacting statute required that the official activities of the commission end with the submission of its final report to Congress and to the President in September of last year.

Primary among the recommendations was that there be some continual assessment of these problems which lie at the very core of societal enigmas that plague families, neighborhoods, and ultimately the Nation as a whole.

When this subcommittee was formed earlier this year, expectations by the public and many of our colleagues in the Congress were elevated.

It is my intention, as chairman of the subcommittee, to impose those great expectations upon Government agency officials who are charged with enforcement responsibility.

This morning, we are very pleased to have the pleasure of welcoming Administrator Daniel Goldin, who has been invited to

share with the subcommittee NASA's efforts to implement certain provisions of Public Law 95-507 which form the foundation of public policy that seeks essentially to provide the opportunity for full participation in our free enterprise system by socially and economically disadvantaged persons and, thereby, improving the functioning of our national economy.

[Mr. Mfume's statement may be found in the appendix.]

Chairman MFUME. At this time, I would like to yield to the gentleman from Rhode Island, Mr. Ron Machtley, the ranking minority member of this subcommittee, for any opening remarks that he might have.

Mr. MACHTLEY. Thank you, Mr. Chairman.

I look forward to this series of hearings to determine how our Nation's agencies and departments are complying with Public Law 95-507, as well as other laws, to ensure that we are seeking competitive bidding processes by minority-owned businesses.

Small businesses, as we all know, make up the hub of most of the business activity in this Nation. It is, therefore, important to determine whether or not the Government's laws, intents, and policies are being carried out in a manner that will help minority businesses eventually stand on their own without Government assistance.

I read with great interest the recent article in the Federal Computer Week indicating that the current Administrator, Daniel Goldin, who is here to testify, is in the words of Carolyn Marson "putting his money where his mouth is and setting aside several million dollars worth of high-technology contracting opportunities for small minority-owned firms." The statistical analysis is clear that in the past, NASA has had about a 7.2 percent minority set-aside and has been unable to reach its 8 percent.

I look forward to hearing today how you hope to achieve the goal which is established, how the programs are actually working, whether companies enrolled in the 8(a) Program are being developed into successful, self-sustaining businesses, and what other measures need to be taken in order to address the specific needs of the minority community.

In my State, which is not dissimilar from a lot of States, small businesses are the largest employment sector. Yet, in one of the recent studies of the 1,400 registered minority-owned businesses in Rhode Island, only 15 to 20 of them participated in the SBA 8(a) Program. One has to ask why is that? Is that a fair number or is this something that needs to be developed and worked on.

You have indicated you are going to get at least 8 percent and you have already established what appears to be a good program in that regard.

I look forward to hearing your testimony today about NASA's accomplishments in this area and your suggestions on how other agencies should approach this issue.

Thank you, Mr. Chairman.

[Mr. Machtley's statement may be found in the appendix.]

Chairman MFUME. I thank the gentleman from Rhode Island.

Mr. Goldin.

TESTIMONY OF DANIEL S. GOLDIN, ADMINISTRATOR, NATIONAL AERONAUTICS AND SPACE ADMINISTRATION, ACCOMPANIED BY RALPH THOMAS AND HENRY WILFONG

Mr. GOLDIN. Thank you, Mr. Chairman, for inviting me to testify before your subcommittee today. We at NASA believe we have an exciting story to tell you about our small and disadvantaged business programs and the degree to which we have involved these businesses as a vital part of our agency.

With me today is Mr. Ralph Thomas NASA's Associate Administrator for Small and Disadvantaged Business Utilization, and Henry Wilfong, Chairman of NASA's Minority Business Resource Advisory Committee.

We at NASA are required to award at least 8 percent of our contracts and subcontracts to small disadvantaged businesses. We at NASA have a self-imposed deadline of 1994 to achieve that level. I hold all managers accountable as to their efforts to meet that goal, and I want you to know, Mr. Chairman, we are going to reach it.

In fiscal year 1990, we were at 5.5 percent. In fiscal year 1992, we reached 7.2 percent; in fact, we exceeded our goal for that year, which was 6.7 percent, by half a percentage point due to vigorous efforts. By 1994, we plan to reach or exceed our 8 percent goal. This is a goal that NASA is committed to as an agency because we believe it is not just a public law, we believe it will strengthen our capacity to do our job for America.

In order to give small and disadvantaged businesses recognition within the agency and NASA's contracting community, I personally elevated the lead position of the Office of Small and Disadvantaged Businesses to the level of Associate Administrator. That is the highest reporting level one could have at NASA as a manager.

Ralph Thomas, sitting here beside me, was selected for that job. Of 80 people who applied, Ralph was selected as the best of the very best.

Mr. Chairman, this is a senior management position within NASA. No other Federal agency has put this position at a comparable level within its own management structure. I did this because I want everyone associated with this agency, our contractors and employees, to know how seriously we take this issue. This elevation goes hand in hand with another structure set up within the agency about a year ago.

The Minority Business Resource Advisory Committee was set up in June 1992 to advise the agency on how to expand its base in small, high-technology, and I emphasize high technology disadvantaged contractors and improving its procurement methods to increase awards to this business.

Sitting with me is Mr. Hank Wilfong, the head of that committee, who I personally appointed. I invited Hank to talk about the organization of the committee and to get at the purpose as to how we are going to get more small and disadvantaged businesses into high technology, which is really the thing we do at NASA.

Another initiative of which we are particularly proud is the development of a special non-8(a) set-aside for small disadvantaged businesses. As you know, the Competition in Contracting Act

allows the head of an agency to use other than "full and open" competitive practices when it "is in the public interest" to do so.

Given our agency's commitment to involvement of small, disadvantaged businesses and my personal belief that this program is so crucial to the future of the agency, I decided to waive normal competitive procedures and identify special set-asides.

As a result of this directive, NASA headquarters, along with its field centers and the Jet Propulsion Lab, have identified a total of 27 contractors totaling \$314 million in contracts.

Finally, Mr. Chairman, I took the step, 1 year ago, of writing to or calling the Chief Executive Officers of NASA's 50 top prime contractors and urged them to increase their subcontract awards to small and disadvantaged business. I personally went to the Aerospace Industries Association and talked to them about this subject, the AIAA and other aerospace organizations, to let them understand that in order to be a responsible NASA contractor, we expected them to take the initiative to involve small disadvantaged businesses as part of their subcontract base, and we at NASA are going to look at their performance in terms of new awards and incentives to them to give them a positive incentive to do this.

I am pleased to say, as a result of this, we have a 40-percent increase in subcontract dollars to small disadvantaged businesses [SDB] in fiscal year 1992.

As I stated, we at NASA are proud of our SDB Programs and the progress we have made. We feel that in many ways we could stand as an example, not only for the rest of the Government, but for American business as well.

Mr. Chairman, I come from business, and I manage the bottom line. I know that increasing participation of small disadvantaged businesses is good for business. It is not just the right thing to do.

I would like to tell you, when I was an executive at TRW, I made a major effort to involve small disadvantaged businesses because I believed it would enhance our capability. Initially, the reaction was this doesn't make sense. We have high reliability spacecraft equipment. How can we go to a company that doesn't know how to do it.

I want to tell you, we broke a mold. With the help of Mr. Hank Wilfong, who consulted for me at TRW, we were able to bring in businesses that were excellent in building ground equipment and have built flight equipment. They did it for less money, in a shorter period of time, for equal or better quality.

We are interested in good business. That is what we are about and NASA is going to manage to the bottom line.

Thank you very much.

[Mr. Goldin's statement may be found in the appendix.]

Mr. GOLDIN. I would like to introduce Mr. Ralph Thomas at this time.

**TESTIMONY OF RALPH THOMAS, ASSOCIATE ADMINISTRATOR,
OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZA-
TION, NATIONAL AERONAUTICS AND SPACE ADMINISTRATION**

Mr. THOMAS. Thank you, Mr. Chairman. Thank you Mr. Goldin.

As you know, Mr. Chairman, not long ago I sat before you in this very chair as executive director of the National Association of Mi-

nority Contractors, an advocacy group, and as long as I held that job, I certainly would not jump into something less than what I could achieve as an advocate, and it was because of Mr. Goldin's initiatives and what NASA was doing that I was very excited about the potential of what this job held.

Mr. Goldin sort of glossed over a lot of things. I want to go into a little more detail in a very short time to explain just what the effect of some of these new initiatives has been.

First of all, the administrator has put in the performance appraisal of all senior managers at NASA, their success in reaching the 8 percent goal. If small disadvantaged business utilization was not serious to a person before, that will make it serious to them quick. It has had the effect of influencing small disadvantaged business utilization from the top down rather than the bottom up.

Another thing that is very unique and very profound is the special non-8(a) set-aside that the administrator referred to. As you know, the only Federal agency that may set aside contracts other than through the Small Business Administration's 8(a) Program is the Department of Defense, and they are under a special law, a special legislation, to do that to meet the 5-percent goal.

But NASA, in showing its own creativity, found a rarely used exception in the Competition in Contracting Act which allowed the head of an agency to utilize other than full and open competition when it was in the public interest to do so. We found that it was certainly in the public interest to obey the law, which mandates us to award 8 percent of our contracts and subcontracts to small disadvantaged businesses.

We, in that respect, asked each of our centers to submit two requirements that could be set aside for small disadvantaged businesses, and those contracts amounted to \$314 million. That program is in effect right now.

We had to submit it to Congress, and, if Congress didn't object within 30 days, the set-aside program automatically went into effect. It came into effect in early January.

Mr. Chairman, that has never been done by any Federal agency in the history of the Federal Government. I think that alone shows uniqueness.

We also have mandatory subcontracting goals. We have interpreted Public Law 95-507 to say that prime contractors can set aside, or have set aside, competitions for small disadvantaged business subcontractors, and we have encouraged our prime contractors to do so and many are doing it.

We have some things that we are working on now that should be effective later this year. First, we are going to make small disadvantaged business utilization an evaluation factor in the competitive proposals of prime contractors, and we hope this will spark creativity and innovation in utilizing small disadvantaged businesses.

We are also going to work on providing bonus fees to those prime contractors that exceed their small disadvantaged business goals. We have challenged our Jet Propulsion Laboratory, which is a NASA-owned contractor, to double their subcontracts to small disadvantaged businesses, and it looks like they will do so.

As the new head of the Office of Small and Disadvantaged Business Utilization, I plan to implement a Mentor Protege Program, something that will be credible and workable. We are also going to have a training program that trains SDB's in high-technology procurement, and we are just going to do a lot of exciting things this year.

We have an internal goal of 7.5 percent in 1993. We expect to easily meet or surpass that. I foresee having no trouble reaching our 8-percent goal in 1994.

I should say that what makes all this possible, of course, is commitment from top management. Everybody at NASA now has the word that top management is serious about this, and everybody is in that small disadvantaged business mold. Nothing happens unless there is a discussion on small disadvantaged business.

As part of my job, I sit in senior management meetings, so I know what the priorities of NASA are and that makes our office more capable of directing small disadvantaged businesses to the right areas, and how to market their businesses, and what to market..

So, in the interest of time, that is the extent of my comments, but I will be happy to answer any questions you have later.

Thank you.

Chairman MFUME. Thank you very much, Mr. Thomas.

Mr. Wilfong.

TESTIMONY OF HENRY WILFONG, CHAIRMAN, MINORITY BUSINESS RESOURCES ADVISORY COMMITTEE, NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Mr. WILFONG. Thank you, Mr. Chairman. I won't repeat the number of things that Mr. Goldin and Ralph Thomas have said.

Interestingly, I listened to a lot of comments of the gentleman from Rhode Island. We will address those points, the development of the firms and so forth. One of the things I am so glad about is that Dan is where he is now, the NASA Administrator. One of the things that impresses me so much, Mr. Chairman, is that a lot of the things that people talk about they are going to do, come to congressional committees and talk about what they are going to do, he has already done it. We did it at TRW.

We took SDB's firms and fully integrated them into the system. Mr. Goldin asked me to come to DC in the summer of last year to help him do the same kind of thing. I am pleased that Ralph Thomas, from the National Association of Minority Contractors, successfully won that job as Associate Administrator at NASA because together I think we can form that team.

My specific role is the Chair of the NASA Minority Business Resource Advisory Committee. I brought Belinda Guadarrama from California, also one of our members.

Belinda, would you stand? Belinda is an example of the kind of things we did. We brought together a group of 24 people, across the board ethnically. We have African Americans, Hispanic Americans, Asian Americans, and Native Americans. We have a disabled person on our committee.

Except for myself and a couple of academia types, they are all like Belinda Guadarrama, CEO of their own companies. So, one of the things that we want to show is we are a visible example. If you can't find them, come to one of our meetings and you will see them, the kind of qualified 8(a) firms we know are there.

I tell them about the five or so other firms around the country. I think I have no problem with NASA and whether they will meet their goals.

When Dan Goldin says we are going to meet our goals, we are going to meet our goals. When we can't find them, we have them for them. When they talk about the development aspects, real high technology, we are very concerned about the high technology, the development of the firms, so that after this program, what are they going to do competitively?

I think that is the question that we can answer at NASA. We will be available for questions, but I wanted to point out several significant things that have already happened where this administration has put their money where their mouth is.

Mr. Goldin talked about the determination of findings, the 26 high-technology items, \$314 million dollars worth of contracts that were set aside at that one time. We signed a contract last year for up to \$75 million with options up to \$150 million, an 8(a) contract out of Kennedy Space Center.

We set aside \$290 million, \$250 million on the SETARS contract and \$40 million on computer integration and scientist and engineering training. Close to \$800 million has been set-aside in the last 8 months or so, and we aren't through yet. Those are the kinds of things that I am here to testify as an outsider who is kind of an insider.

One of the things Mr. Goldin forgot to mention is I am president of the National Association of Small Disadvantaged Businesses, a trade association, an 800-pound gorilla. We are the kind of organizations that beat on these guys if they don't do right. NASA, we don't think we will have to beat up on.

I know this is a NASA day, but you talked about Public Law 95-507 and the commitment. Except for this agency, I am sorry to say I don't see that same kind of commitment anywhere, so we have a lot to do. We are here to talk about the things NASA is doing. I wish some of those other agencies, particularly DOD, that you ought to look at to see whether they are doing the kind of things that you talked about.

In terms of closing, from a NASA viewpoint, I could throw you in the briar patch. I am so glad to be here, and I am preaching to the choir when I am talking to Dan Goldin and Ralph Thomas.

Chairman MFUME. Thank you.

Let me assure you, the DOD will be here. Unlike NASA where you have 1 day, they will have 2 or 3 days to explain what they are doing or not doing and why?

Thank you for your testimony.

I have a couple of quick questions.

Mr. Goldin, NASA did not attempt to answer questions 4 and 5 of the letter of invitation. Can you tell us why, and do you have answers to those questions?

Mr. GOLDIN. I am sorry, I didn't know about that.

Mr. THOMAS. Let me just—"What role does the Office of Small and Disadvantaged Business Utilization play in establishing negotiating and administering subcontracting plans for contracts of your agency? Specifically include a description of your Office of Small and Disadvantaged Business Utilization, including the dates the office was established and any subsequent reorganizations. Name an appointed director, if there is an acting director, length of time, an organizational chart, extent of his or her supervisory authority, program plans, and the budget for the office."

Maybe not in substantial detail, but we thought we did answer the question. I think, unfortunately, we didn't ask the questions in terms of 1, 2, 3, and 4, and it is sort of spread out.

Inherent in question 4, the date the office was established, we have here on page 4, the third paragraph—

Chairman MFUME. Of whose testimony? You mean, of the response?

Mr. GOLDIN. Yes.

Mr. THOMAS. That is right. It says that the office was established in 1979. Recently, the position of director of this program was elevated to associate director, making the head of this important program a full and permanent partner in the senior management team.

We have a chart which is attached to the written response which contains a chart, an organizational chart showing my reporting line, both administratively and organizationally, so we think it may be spread around sort of and not answered directly, which caused the confusion.

As far as the budget, we are getting that information for you. We don't have a line item budget. Our budget within NASA comes from about four different places, and we are putting together that right now, and we will submit it to the committee afterward.

[Additional information and responses to written questions may be found in the appendix.]

Chairman MFUME. Mr. Goldin, let me go back to your six-point plan. Point 3, chart 2 of the testimony, can you give the committee what your indication is? What is considered to be a substantial increase?

You reference that. Is that 2 percent, 10 percent? Should we consider it to be 50 percent?

Mr. THOMAS. Institutional Associate Administrators will review the SDB contracting and subcontracting programs of their respective centers within 30 days. The result of these reviews will be reported to me within 45 days.

Mr. GOLDIN. The object is to increase the subcontracting to get to that 8 percent goal. We have that 8 percent goal clearly in our focus. Some centers are off and others are close, so you can't just lay a level percentage across the whole system. You have to look at each office, each organization individually.

Chairman MFUME. So, the substantial increase is an increase designed to meet the 8-percent goal?

Mr. GOLDIN. Yes; we are keeping focused right on that 8-percent goal.

Chairman MFUME. Why aren't you looking beyond the 8-percent goal. It seems limiting to say that we have this imposed ceiling,

and it is laudable and commendable that you are trying to get there, but, at the same time, I hear you saying, and correct me if I am wrong, that once you have got there, that is it.

Mr. GOLDIN. I didn't say that. I am trying to focus on a business-like set of objectives. One of the things we are trying to do at NASA is apply the same principles we had from industry. In industry, at the start of the year, you sign up a set of goals with your boss that are quantitative, and the object is to meet or exceed the goals, but "meet" is the bottom.

Chairman MFUME. Does NASA discuss or have conversation or any sort of cross communication with organizations like the National Association of Minority Businesses or the Latin American Management Association or some of the other associations - not Mr. Wilfong's - that are obviously concerned about whether or not you are meeting your goals and have the resources and the know-how to assist you in doing that?

Mr. GOLDIN. The answer is yes. On a personal level, I have met with a number of these organizations. I go to a number of the Minority Business Development Conferences around the country, and when I am there, I make it a point to meet with a number of these people to get their views and to get their understanding on how we could do a better job. I do this on a personal level.

Chairman MFUME. On a professional level, does the agency maintain data on minority firms that are available to do contracting or subcontracting?

Mr. GOLDIN. Yes, sir.

Chairman MFUME. How is the data compiled?

Mr. THOMAS. We have about eight centers spread across the country; 94 percent of our procurements are through those centers. Each center has a small business specialist which functionally reports to our office. They are responsible, they are pretty autonomous. For example, in order to get on the bidder's list, you have to fill out separate forms for each center, and the small business specialist at each center develops a rapport with the small and disadvantaged businesses for their center.

The centers represent different spectrums of NASA business. For example, there are four centers which pretty much are dedicated to space flight activity, space explorations, and products and services that go into that. We have three research and development centers which are pretty much in the area of aerospace research.

We have two centers dedicated to space science and applications of products and services involved in observing the Earth from space, and we have headquarters. Each center or small business specialist develops their base, their contractor base of SDB's, and are familiar with who can do what in their field.

Chairman MFUME. Mr. Goldin, I want to pursue that on my second round, because my time has expired.

Mr. GOLDIN. I would like to clarify a little bit. Mr. Wilfong is not representing the National Association of Small Disadvantaged Businesses. One of the reasons I formed that committee was I was concerned that we had good contacts in NASA with a lot of the service industry, but we did not understand the connectivity to the high technology, small disadvantaged businesses. So, that was an attempt in a focused scale to reach out to form a committee that

has open hearings, and that have hearings every 3 months open to the public, and the hearings are held all around the country at different geographic locations, getting back to Mr. Machtley's concern about different areas.

We want to get this focused so the whole country knows about what we are doing, and I felt the best way to do that was to get entrepreneurs who were in the business to advise us on the process on how we ought to reach out, and how we ought to get a better connectivity.

The other area that we are working with is the Minority Institutions of Higher Learning. We are working with the historically black colleges and universities. We are working with the Hispanic-American colleges and universities, and we are working with universities with a high level of Native Americans going there.

We are integrating them into the business and trying to get them to work with the minority-owned businesses, because the best way for tech transfer is moving human beings. It is a broad range—

Chairman MFUME. Is that the mentor protege model?

Mr. THOMAS. That is part of it.

Mr. GOLDIN. Just a small part.

Chairman MFUME. Mr. Machtley.

Mr. MACHTLEY. The definition of the small disadvantaged business is that at least 51 percent is owned by a citizen or citizens of the United States who are socially and economically disadvantaged, or, in the case of a publicly owned business, at least 51 percent of the stock is owned by socially or economically disadvantaged citizens.

As you are looking at this high-technology area, what has been your experience in helping high-technology companies? I read in the article that NASA prequalified to make sure in the Lewis Research Centers set aside that there were enough high-technology companies.

What has been your experience in not only contracting to disadvantaged ownership, but to companies that employ large portions of minority individuals? Are you finding they are spinoffs where someone says "I will set up a company. I own 51 percent, my wife, myself, my child, and then we will team with another high-technology industry."

Are you able to find enough minority people with the qualifications or do we need to do something more. I think the idea is not just to get more minority ownership, but to get more minority people employed into high technology. How are we doing in that regard?

Mr. GOLDIN. That is a very, very good question, one which I have high concern for. There are two basic issues. First, it is very, very important to have visible, successful, minority entrepreneurs. I know in my experience as I have traveled around the country and interacted with young people—let me give you an experience that I had. I went to the Challenge of Boys and Girls Club in South Central L.A. with the first African-American female ever to fly in space, Mae Jamison. There were 150 children there, mostly African-American children, between 8 and 15. They introduced me as the NASA Administrator, and I got a polite response.

I talked to them, and they listened politely. When Mae Jamison was introduced, those children were uncontrolled for 5 minutes because they knew who she was and where she came from. When I take black entrepreneurs with me, or Hispanic entrepreneurs, the children see and they understand. So, that is an important function, and we are succeeding in that lately.

But the second part of your question, I wish I could give you a very positive response. I have called in minority entrepreneurs and asked them what percentage of your staff is minority, and I don't get very satisfactory responses. It ranges anywhere between 15 and 30 percent.

In fact, in a number of cases, I have challenged them to increase the minority participation in their staff, because not only do we need entrepreneurs, we need successful engineers, scientists, and mathematicians.

The single biggest problem we have is the feeder. If you look at American colleges and universities, African Americans, for example, although African Americans make up about 12 or 13 percent of the population only 3 percent of the engineers coming out of the engineering schools are African Americans. So, if we are to get at the situation and make progress, we have to get the feeder group up, and it comes back to the universities. That is the reason NASA is working so hard, very closely with the historically black colleges and universities, the Hispanic-American colleges and universities, and other minority universities to fill that pipeline; because if we keep moving people around from one company to another that doesn't solve it.

The fundamental issue is are we going to increase the pipeline. One of the ways of increasing the pipeline is to get successful entrepreneurs. You get to the heart of the situation, the heart of the problem. I think it takes a much more focused activity.

In our fiscal year 1994 budget, we have proposed doubling over, the 5-year period, the amount of support that NASA is going to give to minority institutions of higher learning to get at the issue that you brought up.

Mr. MACHTEY. Would either of the other gentlemen like to add to Mr. Goldin's response? What do we do to make sure that we get a totally integrated system, not just through ownership, but throughout the company?

Mr. WILFONG. In the first place, trust us, we will do it. If you would trust the minority entrepreneurs first, I am concerned about starting at the top level, the management. As we are able to integrate us into the system through the feeder system in other ways, we will do it.

I never have a problem about the qualifications. Belinda Guadarrama—I looked at her to see if she wanted to respond. We don't worry about her company. That is a real Hispanic, female-owned company; Cedric Johnson, ETA Technologies, a real African-American-owned company; frontier Engineering from Stillwater, Oklahoma, Peggy Shreve, a real Native-American company.

So, in our group, 24 of us there, it is indicative of the kind of true-qualified, minority-owned firms. Of course, you are going to have the front every now and then, but they are the exceptions, not the rule. If we can use our committee as an example of what

happens as we broaden out, we are indicative of the kind of highly qualified, high-technology firms, truly minority owned.

We are sorry that we don't have more minority entrepreneurs in the firms. I am a CPA, and I remember in the early 1960's when there were no minority black CPA's used by the majority firms because you have to spend at least 2 years working for another CPA before you get your own CPA.

When they don't hire you, and all of a sudden you have your own firm, there is not a lot of us to go around. So, we took other people and used them until the feeder system came along. Where there were only 168 black CPA's in the country in 1968, now there are close to 3,000 CPA's.

That may not sound like a lot, but when you are the only two black CPA's in California in the 1960's and now there are 50 some, that is quite an improvement. So, given that kind of patience, if you trust us enough to give us the kind of work that we are qualified to do, then we will increase our minority employment within our firms.

Mr. MACHTELY. Are you satisfied with what is happening here? Is there anything we should be doing to prevent the system from creating shell companies? I interpret from what you are saying that you are satisfied and that there is progressing integration throughout the company?

Mr. WILFONG. I am satisfied that it is changing, but it is not fast enough. I think it is changing, but not fast enough.

Mr. GOLDIN. I would like to say that I am very uncomfortable that it is where it is. As I meet with people, I encourage them to have a higher minority participation. We will push ahead, but the place that you could help is to really get focused on the minority institutions so we could generate more minority engineers.

I want to tell you, these institutions need major support. NASA is a space agency. We could do some good. We could put Centers of Excellence into different universities like at North Carolina A&T. They are doing cutting-edge work on fuzzy logic which is one of the expert decisionmaking approaches, but we are not touching enough people.

So, I believe that support for the minority institutions must increase; and the other thing that we ought to do is we ought to encourage major businesses, not just with NASA, to have connectivity with these institutions and with minority-owned businesses, because it will take all three to do it.

If there were incentives along those lines, I think it would speed up the process. We have to move faster. I am not satisfied. I wish I could say everything is OK.

Chairman MFUME. Let me commend to your attention, before yielding, to two publications, both of which are national in scope, both of which reach virtually every Hispanic or black engineer, student or graduate in this country. They are called U.S. Hispanic Engineer and U.S. Black Engineer. They are both published in Baltimore.

Let me commend to your attention the Council of Engineering Deans of Historically Black Colleges and Universities, particularly Dr. Eugene DeLoach of Morgan State University, as resource people you may want to touch base with, because they have been

trying to do what you are discussing for some time now and have not had a great amount of success with certain agencies.

I would recommend that to you.

Let me yield to Ms. Velazquez of New York.

Ms. VELAZQUEZ. Thank you.

I would like to know how productive your outreach efforts have been in the Latino business communities?

Mr. THOMAS. I think very productive. We just held a major outreach conference in California in Los Angeles at our Jet Propulsion Laboratory or near there. We had about 1,400 people show up. There were about 300 large businesses and Government agencies and the rest were small and small disadvantaged business concerns.

As you know, L.A. has a high concentration of Hispanics and Latinos, and they were there. Of our Minority Business Resource Advisory Committee 25 percent is Hispanic-Latino. In fact, later this summer, I have been invited to speak at the annual convention of the Latin American Management Association. Last week, I spoke before the Society of Hispanic Professional Engineers.

Wherever we go, we see a high proportion of Hispanics as well as other ethnic groups. For the past year, the past 6 months that I have been here, it has been good.

Ms. VELAZQUEZ. I would suggest you go to Houston, Texas. We have hundreds of engineers coming from Puerto Rico every year.

Mr. Goldin, I would like to ask you the following question: How would you suggest that other businesses not only comply with the 8(a) Program, but begin to develop initiatives that will increase the number of contracts that go to historically underrepresented businesses.

Mr. GOLDIN. I believe the very best way is for NASA—and specifically for NASA—we must reach out and make people aware of what we are doing. We had a series of town hall meetings over the last 6 months, and people told us they thought that they liked the Nation's Space Program, but they felt the single biggest problem we at NASA had was we did not communicate effectively with the American public.

Ms. VELAZQUEZ. How do you advertise the town meetings?

Mr. GOLDIN. We advertise in the local press. We advertise the town hall meetings with local institutions of higher learning. We advertise those town hall meetings with minority organizations. We try to have a cross section.

When we had the town hall meetings, I personally met with the members of the minority business communities. We had a separate meeting. I sat with the members of the minority business communities, and we would try and understand their needs and their desires.

We met with local schools, with school children, and then we would have a large meeting attended from 500 to 1,000 people, open to the general public. We advertise in the print media, on the radio, and TV, so we can get many people to come. We had almost standing room only at every meeting we had.

Ms. VELAZQUEZ. Whenever you decide to conduct one in New York, I would like to know. I read the newspaper every day. I haven't seen anything happening in that area.

Mr. GOLDIN. I would like to say we would like to be every place, but we tried to pick six places where NASA wasn't. We are planning to hold the next series of meetings—we held the meetings in Tampa, Florida; Raleigh-Durham, North Carolina; Indianapolis, Indiana; Compton, California; Hartford, Connecticut; and Seattle Washington.

We also held a special small business meeting in New Hampshire. I think 500 people showed up from the small business community in New England. There are many more cities we could go to. I do it myself, and it is just a question of scheduling time.

I will accept the challenge to come to New York, and I will commit to you we will come to New York with a town hall meeting.

Ms. VELAZQUEZ. Thank you, Mr. Chairman.

[Ms. Velazquez' statement may be found in the appendix.]

Chairman MFUME. Mr. Hilliard.

Mr. HILLIARD. Thank you very much.

I am new to Congress. It is difficult for me to be able to ascertain your progress without some type of historical data. Do you have some type of historical data, in terms of individual companies, in terms of amounts of money that have been given to minority businesses over a period of time, available?

Mr. THOMAS. There are two places.

Mr. GOLDIN. There is a chart—

Mr. HILLIARD. I looked and I didn't see it.

Mr. THOMAS. Chart 1.

Mr. GOLDIN. You didn't have a copy in your package. I am terribly sorry. That doesn't call out total contract dollars, but we are taking action to get back to dollarize the total contract dollars. This gives it as a percentage and breaks it up into different categories. Then it gives a projection of getting to the goal in 1994.

Mr. HILLIARD. Do you also have a list of 8(a) minority contracts?

Mr. THOMAS. Yes; we publish a pamphlet with a list of all 8(a) contractors doing business with NASA right now.

Mr. HILLIARD. Are those categorized?

Mr. THOMAS. It is alphabetical now, but it states what kind of work they do.

Mr. HILLIARD. As to whether they are Latinos—

Mr. THOMAS. We don't break them down ethnically.

Mr. HILLIARD. What about gender?

Mr. THOMAS. No.

Mr. HILLIARD. Tell me about your verification efforts?

Mr. THOMAS. There are only two certifying arms in Government. One is SBA.

Mr. HILLIARD. So, you take yours directly from what other agencies have already classified like SBA—

Mr. THOMAS. Right. They can be challenged. If it is a non-8(a) company, they can be challenged by another small disadvantaged business, whereby it is referred to the SBA for determination of whether they are authentic.

Mr. HILLIARD. Is there an agency with a category type breakdown?

Mr. THOMAS. In terms of ethnicity?

Mr. HILLIARD. Yes; or any other category. It is difficult for me to ascertain. Progress in terms of minorities can mean quite a few things. I am from Birmingham, and we have seen the reference to minorities being white females. Of course you see dramatic increases in businesses going to minority as a grouping, but when you really look at it, and when you really analyze it, you see that they have found another way of continuing the same old discriminatory effort that they have had in the past.

I am not accusing you of that. I am just saying that without some type of categorical breakdown, I can't ascertain from a historical perspective what type progress you are making.

Mr. THOMAS. Let me explain two things: First of all, small disadvantaged business, as pertains to NASA pertains to the law which mandates us to achieve 8 percent, includes traditional minorities under 8(a). It includes women, nonminority women, historically black colleges and universities, and other minority educational institutions. That is lumped in the 8 percent.

We can give you a breakdown as far as 8(a) companies, women companies, historically black colleges and universities.

Of the total awards we made to small disadvantaged businesses last year, \$865 million, about a quarter of it, was to women.

Mr. HILLIARD. Who made the decision not to break it down by race?

Mr. THOMAS. There was never a requirement for us to break it down by race.

Mr. HILLIARD. What about a congressional request? I am serious. I cannot ascertain what you are doing. I would like to have that information.

Mr. GOLDIN. The answer to the question is yes, sir.

Mr. HILLIARD. Could you give me some idea? I would like to know when I could get it.

Mr. THOMAS. Can we call you later this afternoon at your office and let you know when we can get it to you?

Mr. HILLIARD. That would be fine.

Chairman MFUME. Let me ask that that be submitted for the record.

Mr. WILFONG. Mr. Hilliard, I hear where you are coming from. What I would like to suggest to you is that we look not so much as what they have done in the past as to what they are doing now. That is the reason I emphasized the \$314 million on the Determination and Findings. That will be SDB set-asides, all minority contracts.

The \$250 million SETARS contract at Lewis is 8(a) by officials certified under 8(a) to be qualified. The \$40 million firms under the Capes contract are SDB's. The \$150 million down at Kennedy is 8(a). So, close to \$800 million that has happened right now that are RFP's are closed already and all qualified, minority-owned firms.

I think it would be good from a historical viewpoint to see what they have done, but I think it is much more impressive looking from an outsider viewpoint at what they are doing right now.

Mr. HILLIARD. I could appreciate that, but also 2 or 3 years from now, I would like to know what you have done. I could ascertain that by finding out where you are now, where you were yesterday, and looking back and finding out where you are 3 years from now.

I follow these charts. That is my way of keeping up. It would be helpful to me.

I could suggest to you that the performance in the past has been very poor. How poor, I don't know. I would like to know the starting point.

Chairman MFUME. Thank you, Mr. Hilliard.

Mr. Goldin, we would like to try to get through one other round of questioning before we conclude the hearing.

As an aside, let me begin by going back to your remarks about Dr. Jamison. She and I had a long meeting and conversation, I would imagine about 4 weeks before she decided to leave NASA, and then we talked several weeks ago. The exodus from such a highly visible position as a female astronaut, leaves in the mind of many of us the question as to whether or not the sort of recruiting for women, Latino, and African-American astronauts is going to pick up or continue or whether the departure of Dr. Jamison marks a downturn.

I don't want you to respond to that now. I just want you to think about the implications. It has nothing to do with this hearing, but it has everything to do, I think, with the perception of the agency.

Mr. Goldin, when the director of the Office of Small and Disadvantaged Business Utilization is advised that a contractor is in violation of a subcontract under section 211 of Public Law 95-507, what steps are taken to rectify the violation and to correct it?

Mr. GOLDIN. I would expect that the director of the office would immediately collect the data. If there is any indication of fraud, I would expect that the inspector general would be brought in to perform an independent assessment and that data be collected and be brought forward to the administrator for action.

Chairman MFUME. Has any contractor, to the best of your knowledge, ever been terminated for noncompliance or been sent to the inspector general for prosecution?

Mr. GOLDIN. I don't know of any.

Mr. THOMAS. That hasn't happened, I think, under either of our tenures at NASA. He has been there a year. I have been there 6 months.

Chairman MFUME. It goes back to Mr. Hilliard's point about having a perspective.

Mr. GOLDIN. We will submit for the record the historical file. I will speak to the IG and collect the records on a historical basis.

Chairman MFUME. If we find that no one has been terminated for noncompliance, it suggests that everyone was in compliance, and that flies in the face, I think, of what is obvious, not necessarily at NASA, but throughout all agencies that have procurement authority.

Mr. Thomas, can you tell us who you report to? We have looked at the organizational chart.

Mr. THOMAS. To Mr. Goldin.

Chairman MFUME. I would yield to Mr. Machtley.

Mr. MACHTLEY. One quick question from a technical standpoint so that I can get a benchmark as to how you approach your 8 percent versus other agencies. You had a budget let's say in fiscal year 1992 of how much?

Mr. GOLDIN. Fiscal year 1992, \$14.3 billion, and of that I believe it was \$14.3 billion. My recollection, and someone will have to correct me, is about \$11 billion of that is in contracts.

Mr. THOMAS. About \$12 billion.

Mr. GOLDIN. It is 8 percent of that \$12 billion.

Mr. MACHTLEY. Then when you come to that number, which would be about——

Mr. GOLDIN. It is about \$1 billion.

Mr. MACHTLEY. In order to somehow assure that you are getting close to that, you have taken it upon yourself to have contracts set aside of, I think you said, about \$750,000. If you just let it go, if you don't actually set aside specific contracts, would it be impossible for you to reach your 8 percent?

Is your experience that the only way you are going to reach your 8 percent is to say,

Here are certain contracts. We have qualified people. We know that are enough qualified people, so we will set it aside. Otherwise, we will never reach the 8 percent because when competing with other small business bidders minority owners and firms would not qualify.

Mr. GOLDIN. It was my determination that if we were going to get there in 1994, we had to do something very focused, something very dramatic to get it. It was my sense we wouldn't make the 8 percent goal unless we did that.

Mr. MACHTLEY. Having made the decision to do that, are you satisfied that you will not have any shortfalls in technical competence or skills? Would minority businesses meet the same level of excellence were those contracts bid out to any other nonset-aside—through any other nonset-aside process? Are you satisfied that there would be no additional costs associated with contracts specifically set aside for minority firms?

Mr. GOLDIN. I believe that we will perform. I have a confidence in the system. I can't look you in the eye and say there is zero risk. There will be risk, and there can be problems, but I think the up side of doing what we are doing far outweighs the risk.

From my experience in industry, when I first started doing this 5 years ago, I wasn't even sensitive to the situation 5 years ago. Then a number of people came to me and told me that we had to go do this. It was a public law.

I was working on a lot of DOD contracts and the DOD had challenged us to get to the 5 percent. When I looked at where we were, I said there is no way of getting from there to here unless we do something bold, and we do have confidence in the people.

I want to walk you through a specific example I had which was with Ion Electronics in Minnesota. We wanted them to build printed circuit boards and stuff electronic components on to these circuit boards for our tracking and data satellite. The initial reaction was "How could you do that? How could you risk a spacecraft by going to a firm that has never built space hardware before?"

So, I got an advocate for small disadvantaged business, a fellow by the name of Ray Rice, and asked him to survey the country and find the top 30 high-technology minority firms. We then narrowed down to the five best that we could find, and we invested hundreds of thousands of dollars as a Mentor Protege Program with each company using corporate funds.

They understood how to build electronics, but not how to do soldering for space. It was a small fraction of the kind of funds that we were dealing with. With that firm and many other firms that we brought on board, there was an incredible desire to succeed, and their desire to succeed overcame the lack of experience with space hardware, and we got a much better product, and we saved money.

It was a paradox. I am telling you today, yes, there is a risk that we could have problems. If we do have problems, we will deal with them. One of the things that I have publicly stated is that this is not a social program at NASA.

NASA has a mission, and we expect companies that take bids on jobs to do what they say they are going to do. As we go into this process, if companies don't perform, we may have to terminate contracts. If there is a termination, I won't look upon it as a failure. I will say, "We will pick up and do the next one," but there is risk, and we acknowledge that there is some risk.

Chairman MFUME. Ms. Velazquez.

Ms. VELAZQUEZ. No questions.

Chairman MFUME. Mr. Hilliard.

Mr. HILLIARD. Is Sharon Anderson in here?

That is all, thank you.

Chairman MFUME. Mr. Goldin, I have just one other question. Subcontract plans on 294S, which NASA provided to my staff for several prime subcontracts with the George C. Marshall Space Flight Center, indicate seven contracts where subcontracting plans have not been met.

I am trying to get some indication as to why they have not been met and what, if anything, is being done to rectify it? Those are the Grumman Data Systems, space and electronics subcontract, Lockheed Missile and Space Co., and there are four others.

The variances go from .3 percent to 2.8 percent and may not seem at first blush that significant, but I thought maybe you might be able to give us an indication as to why the subcontracting plans have not been met?

Mr. GOLDIN. I cannot do that at this point in time. I don't have the data, but I will submit it for the record.

Chairman MFUME. We would be more than happy to receive it.

On behalf of the subcommittee, I want to thank you, Mr. Thomas, and Mr. Wilfong for your appearance here today, for the very frank and open manner that you have tried to present the position of NASA to this subcommittee, and the way you have handled the responses and inquiries from members of this subcommittee, who all have a burning interest and a burning desire to try to make sure that Public Law 95-507 is met and to whatever extent might be able to be exceeded.

Obviously—and I have said this to the ranking minority member—that under your tenure there at the administration or at the agency, there at least appears to be a different approach toward meeting goals and being in compliance with the law. Members of this subcommittee obviously appreciate that.

We have however a larger responsibility to go back to Mr. Hilliard's point; that is to be able to look at the broader context, the historical context, and to see whether or not we are having any

progress at all. That is why, out of the sense that we have invited you, other agencies will be here.

I will share Mr. Wilfong's observation that their progress probably is not at the same point as the progress of NASA. That is to be determined, obviously, in open hearings, but I want to assure you that this subcommittee is here to find out why it is not taking place and to use some of the things you were doing as examples and to encourage you in other areas to do even more.

Mr. Goldin, thank you for being here. Mr. Thomas, good to see you, and Mr. Wilfong, good meeting you.

Mr. GOLDIN. I would like to say that Mr. Wilfong made his comments on the Department of Defense on his own behalf. We at NASA don't view that we have a competition with the Department of Defense. We work with the DOD. I have been a DOD contractor for years, and there are a lot of sincere efforts. The official NASA position is we work with the Department of Defense.

Chairman MFUME. The record will reflect that.

Thank you very much. That concludes the hearing of this subcommittee.

[Whereupon, at 11:20 a.m., the subcommittee was adjourned, subject to the call of the Chair.]

APPENDIX

STATEMENT OF THE HONORABLE KWEISI MFUME, CHAIRMAN

SUBCOMMITTEE ON MINORITY ENTERPRISE, FINANCE AND URBAN DEVELOPMENT

HEARING ON FEDERAL GOVERNMENT EFFORTS TO FOSTER DEVELOPMENT OF MINORITY BUSINESS ENTERPRISE

MAY 18, 1993

Members of the subcommittee, witnesses, ladies and gentlemen, today marks the first in a series of hearings to be convened by the subcommittee on minority enterprise, finance and urban development to examine whether federal programs designed to promote minority business development are meeting the purposes and objectives set out by enactments of the congress. Today we will hear from only one agency, the National Aeronautics and Space Administration. While the Department of Defense, Office of Personnel Management and the Department of Transportation were invited to testify, the limited number of confirmed individuals available to testify within each agency precluded their presence here today.

By fully exercising our oversight responsibilities, we endeavor to conclude how agency officials view their specific roles in the administration and execution of these laws. Through this process, we hope to gauge the scope and intensity of public support for these government programs and ultimately make a determination about the appropriate level and allocation of federal resources and specific legislative initiatives required to strengthen their overall effectiveness. It is important to note that any assessment of federal government compliance should be done within the broader historical context of federal government efforts to promote minority business development generally.

Following widespread urban unrest in 1967, the kerner commission investigated civil disorder in the inner cities of this nation. This investigation revealed that in the area of government assistance to small business, there were virtually two societies, "one black and one white ... Separate and unequal." Consequently, the commission recommended that the government encourage business ownership by minorities.

In response to the Kerner Commission report, Congress reformulated section 8(a) of the small business act to authorize sba to channel federal procurement contracts to minority-owned businesses. Other efforts to supplement this shift in federal policy have included a succession of executive orders, administrative directives and legislative enactments. This practice has resulted in a complex web of federal programs arbitrarily designed to promote development of small and disadvantaged businesses (sdbbs) or historically underutilized businesses (hubs). This admittedly haphazard fusion of programs

and regulations make congressional oversight and evaluation difficult at best. Therein lies the potential for pervasive indifference by an unsympathetic administration and lethargy by a congress with a myriad of issues and concerns which demand unabridged attention.

No examination of the federal government's effort to level the playing field for sdb's or hubs is complete without probing compliance efforts by Federal government agencies with Public Law 95-507, which is our primary mission today. Enacted in October, 1978, P.L. 95-507 Represents a series of amendments to the small business act and the small business investment act of 1958 to provide contract opportunities and goals for participation by socially and economically disadvantaged small business concerns with all federal agencies.

In more recent events, congress established the U.S. Commission on minority business development in 1988. Chaired by my friend Joshua Smith, the Commission's charge was to "review and conduct an assessment of the operations of all federal programs intended to promote and foster the development of minority owned businesses to ascertain whether the purposes and objectives of such programs are being realized." Although the final report was designed to recommend solutions to intrinsic barriers in our economic system that precludes equitable participation by minority enterprises, many questions raised during this 2-year undertaking remain unresolved. The enacting statute required that the official activities of the commission end with submission of the final report to Congress and the President in September, 1992. Primary among the recommendations was that there be some continual assessment of these problems which lie at the very core of societal enigma that plague families, neighborhoods and the nation as a whole.

When this subcommittee was formed earlier this year, expectations by the public and by our colleagues in the congress were summarily elevated. We recognize that the task that lies ahead is ominous indeed but those of us who sit on this dias do not shrink from the challenge. It is my intention as chairman of this subcommittee to impose those great expectations upon government agency officials who maintain any hint of enforcement responsibility.

This morning, we have the pleasure of welcoming Administrator Daniel Goldin who has been invited to share with the subcommittee NASA's efforts to implement certain provisions of Public Law 95-507 which form the foundation of public policy that seeks to provide the opportunity for full participation in our free enterprise system by socially and economically disadvantaged persons and thereby improving the functioning of our national economy.

At this time, I would like to yield to the gentleman from Rhode Island, Ronald Machtley, the ranking minority member of the subcommittee, for opening remarks.

OPENING STATEMENT OF RONALD K. MACHTLEY
RANKING MINORITY MEMBER
SUBCOMMITTEE ON MINORITY ENTERPRISE, FINANCE
AND URBAN DEVELOPMENT
COMMITTEE ON SMALL BUSINESS
HEARING ON FEDERAL PROGRAMS TO PROMOTE MINORITY
BUSINESS DEVELOPMENT
MAY 18, 1993

Thank you, Mr. Chairman. And thank you, Administrator Goldin, for agreeing to come here today to testify on NASA's implementation of Small and Disadvantaged Business programs.

Getting right down to it, the government's policy for promoting Small Disadvantaged Businesses should be in line with it's policy for general small business promotion. Current law calls for government agencies to set aside 20 percent of their contract awards to small businesses. These same agencies should be reaching out to disadvantaged businesses as well. The 5 percent goal created under Public Law 95-507 is one way of seeking competitive bidding by minority-owned businesses. Unfortunately, past efforts to enforce and support annual percentage goals have been inconsistent. Our hearing today hopes to address these inconsistencies and possible ways agencies can comply to the percentage requirement.

Given Rhode Island's close relationship with the defense industry, government procurement provides many businesses with their means for survival. This does not just include large companies. According to a report by the Rhode Island Defense Economic Adjustment Project, most defense-related companies in Rhode Island are small, having no more than 10 full-time employees and annual revenues of less than \$5 million. 35.5 percent of defense-related businesses provide services to DoD in the manufacturing and construction fields. So, as you can see, small business set asides are quite important to the health of the state I represent.

Nonetheless, out of the almost 1,400 registered minority-owned businesses in Rhode Island, only 15 to 20 of them participate in the SBA's 8(a) program. Looking at these numbers makes me wonder how successful we really are in getting the word out to disadvantaged entrepreneurs about minority set asides at the federal level.

During the 101st Congress, NASA was given the task of awarding 8 percent of it's contracts and subcontracts to small and disadvantaged businesses. In the past, NASA has had difficulty meeting this goal. I am looking forward to hearing Administrator Goldin's testimony in hopes of shedding some light on why NASA has not yet achieved the 8 percent goal and what kind of strategy is needed to help the agency increase it's awards to disadvantaged businesses.

Thank you, Mr. Goldin, for coming before us today to discuss your agency's efforts to implement Small and Disadvantaged Business programs. I look forward to hearing your testimony.

CONGRESSWOMAN NYDIA VELAZQUEZ
OPENING STATEMENT, SUBCOMMITTEE ON
MINORITY ENTERPRISE
MAY 18, 1993

Thank you Mr. Chairman, and welcome, Mr. Goldin, to this hearing of the Subcommittee on Minority Enterprise, Finance and Urban Development of the Small Business Committee. I am certain that this is the first of many insightful and informative hearings to come.

As you know, potential minority business owners have has enormous difficulty in acquiring capital to start their businesses. Those who have been lucky enough to start a business are still at a disadvantage with regard to bidding for contracts, ^{from} despite laws that are designed to provide contract opportunities for socially and economically disadvantaged businesses.

While the Small Business Administration has been responsible for the management of the 8(a) Program, which includes Public Law 95-507, it is evident that the lack of progress made in this endeavor comes from an institutional aversion to minority business programs. With this disturbing information in mind, it is abundantly clear that something must be done to eradicate this bias that runs deeper than any set of laws can reach.

I look forward to your testimony. Thank you, Mr. Chairman.



National Aeronautics and
Space Administration

Hold for Release Until
Presented by Witness

May 18, 1993

Subcommittee on Minority Enterprise, Finance, and Urban Development

Committee on Small Business

House of Representatives

Statement by:
Daniel S. Goldin
Administrator

103rd Congress

HOLD FOR RELEASE UNTIL
PRESENTED BY WITNESS
MAY 18, 1993

Statement of
Mr. Daniel S. Goldin
Administrator
National Aeronautics and Space Administration

before the
Subcommittee on Minority Enterprise, Finance, and Urban Development
Committee on Small Business
United States House of Representatives

Mr. Chairman and Members of the Subcommittee:

I am pleased to appear before you today to discuss NASA's strong commitment to small and small disadvantaged business (SDB) utilization. NASA has a record of steadily increasing prime and subcontract awards to small and small disadvantaged businesses, and President Clinton's budget request for NASA for FY 1994 incorporates a significantly enhanced emphasis upon partnerships between NASA and small businesses in pursuit of new technologies which will contribute to this Nation's economic strength. Since FY 1975, NASA's prime and subcontract awards to small businesses have totalled nearly \$24 billion, increasing from \$423.6 million in FY 1975 to \$2.6 billion in FY 1992. In addition, NASA is making a continuous and concerted effort at all levels of management to ensure that the capabilities of SDB firms are not overlooked in our procurement program. For example, in FY 1992, over \$865 million, or 7.2 percent of the total awards to business by the Agency, was awarded to SDBs, small women-owned businesses, Historically Black Colleges and Universities, and other minority educational institutions. Chart 1 shows NASA's accomplishments for SDBs beginning in 1970.

In your invitation to testify, you requested that my statement address a number of questions with respect to NASA's small business and small disadvantaged business activities. I am happy to provide the following information.

I am pleased to report that NASA is in full compliance with Public Law (P.L.) 95-507, Sections 211 and 221, relating to increasing contract opportunities for small business concerns through the placement of subcontracting plans in contracts, and the establishment of goals for small business participation. NASA's efforts in small and SDB subcontracting predates P.L. 95-507. In 1975, three years prior to that statute's enactment, NASA initiated

a pilot program in which we set goals for small and disadvantaged business subcontracting in the Space Shuttle construction programs then commencing at the Kennedy Space Center.

The Agency has gone beyond the minimum requirements of the law and, in my six-point program (outlined in chart 2), I have challenged NASA to increase the level of participation of small businesses and SDBs in prime and subcontracting opportunities.

In addition, over the past three years, in response to mandates in P.L. 101-144 and P.L. 101-507 that NASA establish a goal of awarding 8 percent of the total Agency contracts and subcontracts to SDBs, including women-owned businesses, Historically Black Colleges and Universities, and minority educational institutions, NASA has been pursuing increased SDB participation in our programs.

I believe that, with the support and cooperation of the entire NASA Team, we have made considerable progress in integrating socioeconomic objectives within our program requirements. At my direction, the NASA Associate Administrators, Center Directors, managing scientists and engineers, and their support staff are responsible for achieving these goals.

Each year NASA, in conjunction with the Small Business Administration, establishes ambitious goals for prime contracts to small, small disadvantaged, women-owned, and labor surplus area businesses as well as for subcontracts with small businesses.

For FY 1993, NASA has established goals as follows:

- (1) Estimated total of \$10,500,000,000 for all contract awards.
- (2) Goal for prime contract awards to small business concerns is \$945,000,000 or 9.0 percent of (1) above.
- (3) Goal for contract awards to the Small Business Administration, under the authority of Section 8(a) of the Small Business Act, as amended by P.L. 95-507, is \$263,000,000 or 2.5 percent of (1) above.
- (4) Goal for prime contract awards to small business concerns owned and controlled by socially and economically disadvantaged individuals, other than 8(a), is \$50,000,000 or 0.47 percent of (1) above.
- (5) Goal for prime contract awards to small business concerns owned and controlled by women is \$73,500,000 or 0.7 percent of (1) above.
- (6) Goal for prime contractor awards to business concerns in Labor Surplus Area (LSA) is 3.3 percent.

- (7) Estimated total of \$3,100,000,000 in subcontracts to be awarded by prime contractors.
- (8) Goal for subcontract awards by prime contractors to small business concerns is \$973,400,000 or 31.4 percent of (7) above.
- (9) Goal for subcontract awards by prime contractors to small concerns owned and controlled by socially and economically disadvantaged individuals is \$223,200,000 or 7.2 percent of (7) above.
- (10) Goal for subcontract awards by prime contracts to small business concerns owned and controlled by women is \$58,900,000 or 1.9 percent of (7) above.

In the past few years, a number of measures have been taken at all levels of NASA, as part of an extensive outreach program, to assist the efforts of the small and disadvantaged entrepreneur.

Through our multifaceted outreach program, NASA has been able to communicate with thousands of small and disadvantaged firms. In calendar year 1992, for example, NASA supported over 70 conferences and seminars throughout the country, which were attended by more than 50,000 small and small disadvantaged business owners. These figures will be exceeded in 1993. As a result of this major effort, we are optimistic that the utilization of small and small disadvantaged firms in NASA procurement programs will continue to increase.

NASA was an active participant in the Congressionally-Sponsored Federal Procurement Conferences, which were held approximately 35 times each year. In the absence of the Congressionally-Sponsored Federal Procurement Conferences, which were discontinued in FY 1987, NASA has sponsored conferences twice a year for the past six years. The NASA conferences are held in a broad geographic distribution of the country, and attendance has ranged from 450 to 1600 participants, depending upon the location. Workshops and seminars are presented to assist local firms in becoming familiar with the process of doing business with the government and the private sector.

Each year the Small Business Offices of NASA's field installations conduct small business fairs. For example, NASA's Goddard Space Flight Center in Greenbelt, Maryland, sponsors a Small Business Fair to coincide with the National Small Business Week. Hundreds of small and SDB firms are invited to meet directly with NASA scientific and technical personnel.

Also, NASA's Langley Research Center in nearby Hampton, Virginia, participates in a project called "Supplier's Day." In this project, on the second and fourth Friday of every month, the

Peninsula Chamber of Commerce arranges for vendors to visit a local shopping mall and meet with buyers from the Army, Newport News Shipbuilding and Drydock Company, and Langley. Representatives of small firms are invited to speak with representatives of NASA's Small Business Office and/or purchasing section representatives, review current requests for quotations and take home packages on which they intend to bid. Quotations are usually received within one week.

NASA Headquarters and many of our field installations have jointly sponsored procurement conferences with local agencies, area Small Business Administration Offices, National Contract Management Association offices, and/or Minority Business Opportunity Committees. The interest in these conferences has been high, and attendance has been very good. These meetings are publicized through spot announcements on radio, television, local newspapers, and in the Commerce Business Daily. In the meetings, NASA's prime and subcontracting opportunities are described. Vendors are also provided literature summarizing the Agency's small business program and small business attendees are encouraged to become involved in NASA procurement activities.

The NASA Small and Disadvantaged Business Utilization Program (OSDBU) was established in 1979. Recently the position of Director of this Program was elevated to "Associate Administrator," making the head of this important program a full and permanent partner in NASA's senior management team (see chart 3). Mr. Ralph C. Thomas, III, was appointed as the Associate Administrator. Under Mr. Thomas' leadership, the Program has been reorganized into five major elements, as shown in chart 4, which parallel NASA's major program responsibilities. An OSDBU Small and Disadvantaged Business Specialist (SDBS) is charged with the oversight of each program's utilization of small and disadvantaged businesses in contract and subcontract awards.

Your letter of invitation also requested that I address NASA's compliance with P.L. 95-507 and the Federal Acquisition Regulation (FAR) Subpart 19.7 which requires each contract or modification which individually is expected to exceed \$500,000 (\$1,000,000 for construction) and which has subcontracting possibilities shall require the apparently successful offeror to submit an acceptable subcontracting plan. I am pleased to report that NASA is in compliance with P.L. 95-507 and the Federal Acquisition Regulation (FAR) Subpart 19.7. From 1981 through 1992 NASA awarded more than 3,000 contracts containing subcontract plans with a total aggregate value over \$154 billion. In order to ensure compliance, NASA Headquarters' Procurement Office reviews data, on a monthly basis, pertaining to all new contracts which meet the criteria for required subcontracting plans. In addition, as part of a broader review conducted every 18 months, NASA Headquarters' Procurement

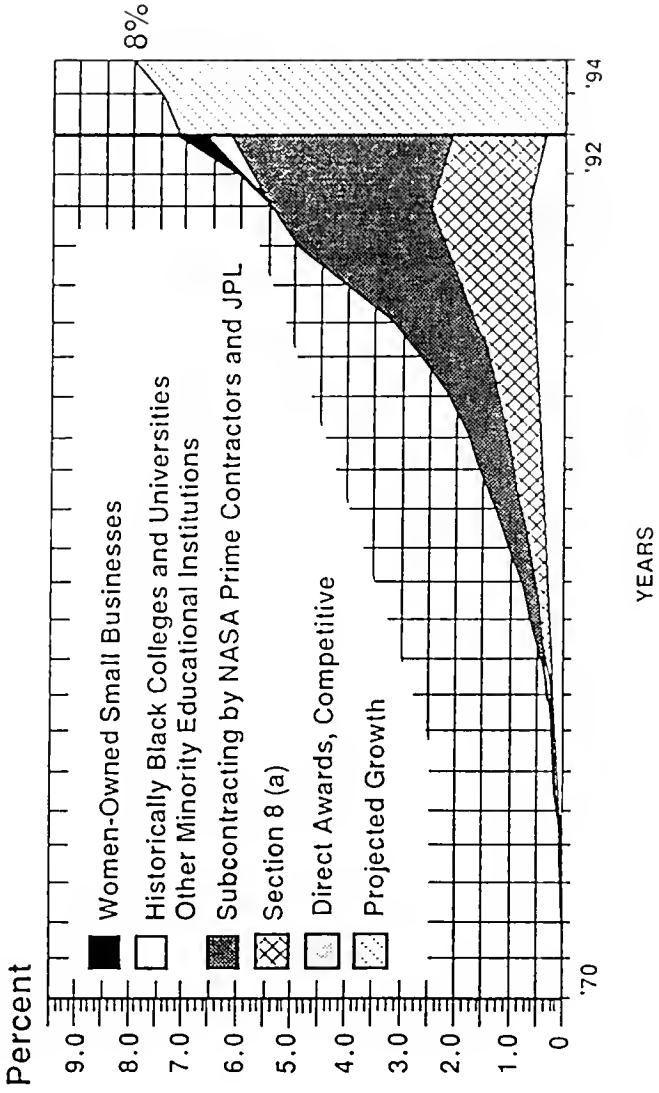
Survey Teams regularly examine contract files for compliance. As required, the Survey Team issues a recommendation to the Center Procurement Officer to include a subcontracting plan or waiver.

Mr. Chairman, as you know, the President has directed that NASA redesign the Space Station so as to substantially reduce its costs while maintaining early capability to conduct high priority scientific and technology research in space. The redesign of Station will enable a rebalancing of priorities across the Agency, to permit increased investment in a variety of science, space and aeronautical research and technologies. Most importantly, the redesign of Station will allow implementation of a far-reaching New Technology Investment package which could reinvigorate our industrial base and enhance America's competitiveness in the global marketplace. The specific funding recommendations for the redesigned Station and the Technology Investment package will be identified as part of a budget amendment in June, following the President's determination with respect to Space Station.

The elements of the Technology Investment package will emphasize focused, innovative approaches to push technology development. The new NASA technology investments will provide unique opportunities for developing novel, user driven partnerships with, and expertise in, small businesses. It is, in fact, these small businesses that are expected to make the most significant contributions to the economy and to be the major creators of new jobs for our Nation.

Mr. Chairman, I would like to personally assure you that NASA places the highest priority upon the full participation of small business and small disadvantaged business in the Nation's civil space and aeronautics program. I am extremely proud of NASA's accomplishments to date, and commend to you the President's FY 1994 budget request for NASA which promises investment in technology which will offer new opportunities for creating higher-wage, higher-skill jobs for more competitive small businesses. That completes my opening statement. I would be pleased to respond to any questions you may have.

DISADVANTAGED AWARDS (OBLIGATIONS)
 NATIONAL AERONAUTICS AND SPACE ADMINISTRATION
 FY 1970-1994 — PERCENT OF AWARDS



NASA ADMINISTRATOR'S SIX POINT PROGRAM

1. The primary responsibility for achieving the goals rests with our technical community. Center Directors and Associate Administrators will have, as part of their performance, evaluations success toward achieving small disadvantaged business goals.
2. Contract consolidations have had a detrimental effect on our prime contract awards to SDBs. Effective immediately, consolidations that reduce prime awards to SDBs will be made only with the concurrence of the Chief of Staff.
3. Institutional/Associate Administrators will review the SDB contracting/subcontracting programs of their respective centers within 30 days. The results of these reviews will be reported to me within 45 days. Subcontract awards to SDBs are a critical element in achieving the goal. Program Associate Administrators, in conjunction with Institutional Associate Administrators, will report within 45 days the steps taken to substantially increase SDB subcontracting on our top 100 contractors.
4. Each center will identify two non-8(a) requirements for appropriate SDB set-asides within 30 days for my consideration in developing a Determination and Findings providing for these set-asides. These recommendations are to be of significant dollar value and capable of being awarded in FY 1993.
5. The Office of Small and Disadvantaged Business Utilization is developing an awards program for technical, small business, and contracting personnel to recognize individual contributions to the SDB goal. These awards will be presented as part of Minority Enterprise Development Week.
6. The Jet Propulsion Laboratory (JPL), a Federal Funded Research and Development Center, is a significant member of the NASA family. We have challenged JPL to double their SDB subcontracting in FY 1993.

Chart 2

K, 14402(DML)

National Aeronautics and Space Administration

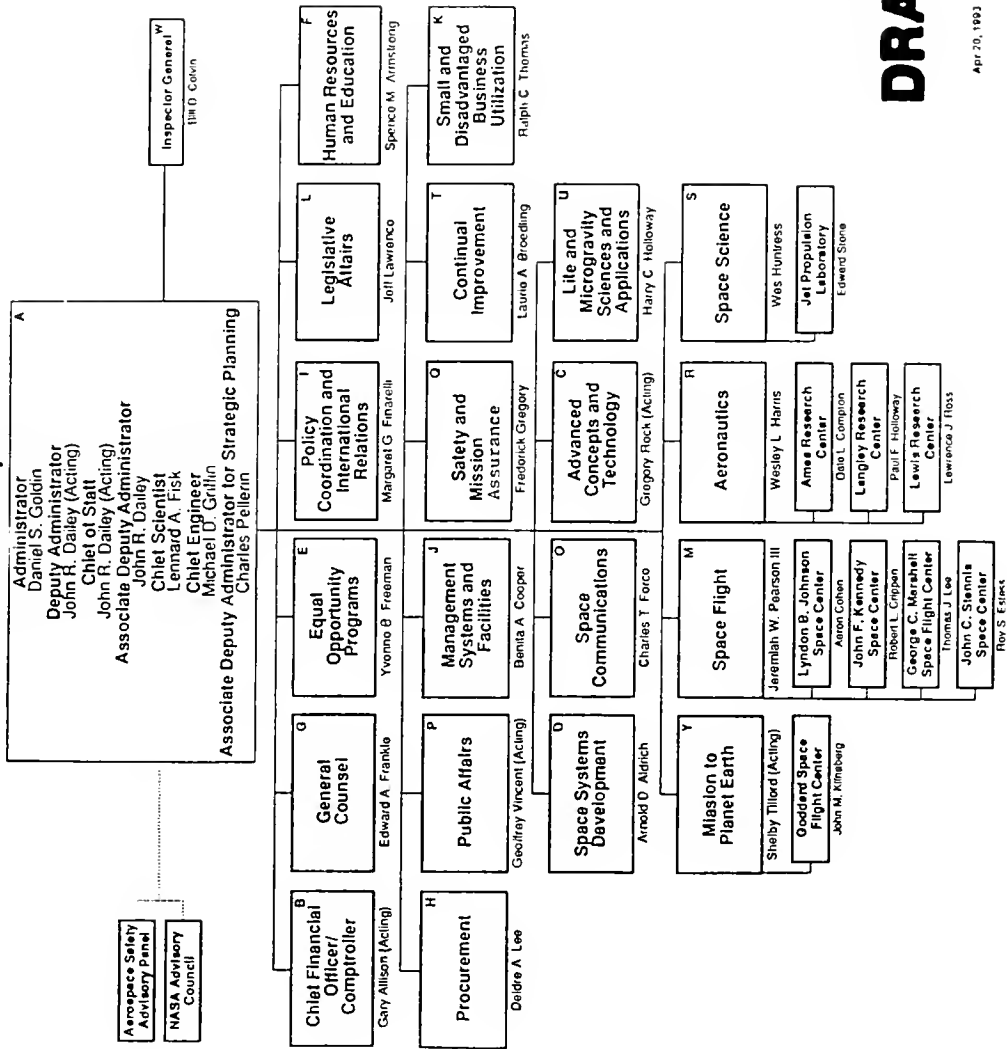


Chart 3

Apr 20, 1993

DRAFT

OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION

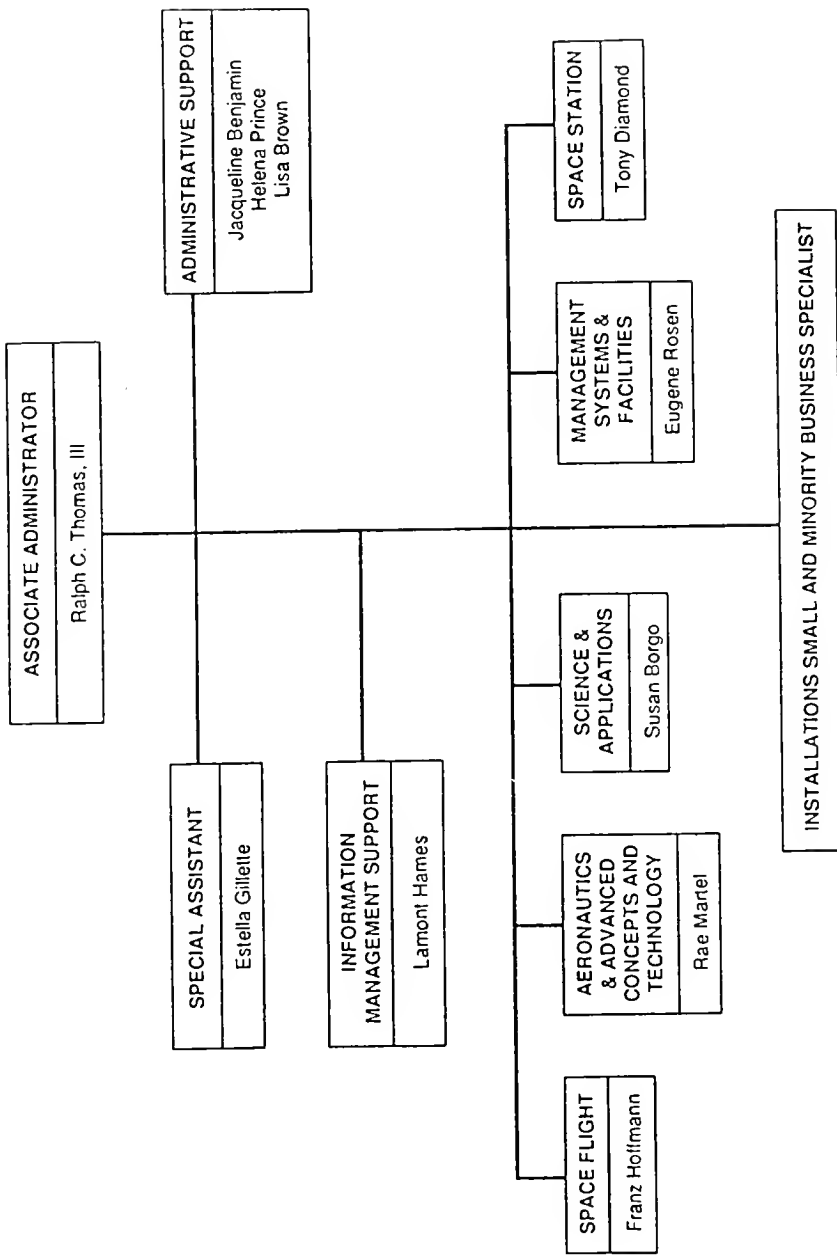


CHART 4



National Aeronautics and
Space Administration
Washington, D C
20546

AUG 19 1993

Reply to Attn of

LB:MDD:L93-196f

AUG 18 1993

Honorable Kweisi Mfume
Chairman
Subcommittee on Minority Enterprise, Finance
and Urban Development
Committee on Small Business
House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Enclosed are the responses to written questions resulting from the May 18, 1993, hearing at which Administrator Goldin testified on federal programs to promote minority business development.

This material completes the information requested during that hearing.

Sincerely,

A handwritten signature in black ink, appearing to read "Mary B. Kerwin".

Mary B. Kerwin
Deputy Associate Administrator
for Legislative Affairs

Enclosure

QUESTION:

Breakout contract award information contained in Chart 1 of your testimony by ethnicity, gender and dollar amount.

ANSWER:

I regret to advise that ethnic data is not collected by agency procurement offices. Ethnicity information is required by the Small Business Administration during the 8(a) certification process.

NASA has requested the SBA to supply the ethnicity data for NASA section 8(a) contracts for 1990, 1991 and 1992. NASA will forward the data to the subcommittee. Also, prime contractors are not required to collect the ethnicity of subcontractors. However NASA will begin the process of requiring the primes to collect and furnish such data in the future.

QUESTION:

Provide data for small and disadvantaged business contract awards for the past three years for subcontracts and prime contracts, competitive and 8(a).

ANSWER:

Chart 3 breaks out prime and subcontract awards by SDB 8(a), SDB Direct, Women-owned and HBCU/OMI as counted under P.L. 101- 144/507.

QUESTION:

Based on information supplied by NASA to the subcommittee, the four prime contracts listed do not contain subcontracting plans. Do you consider this non-compliance with Section 211 of P.L. 95-507? If so, what action will be taken to remedy the situation?

* Johnson Space Center Contract # 18371 SpaceHab Inc. \$184,236,000	* Goddard Space Flight Center Contract # 26555 Assn. Univ. Res. & Astronomy \$449,678,000
* Marshall Space Flight Center Contract # 37281 Orbital Sciences Group \$206,080,000	* NRO Center Contract # 26500 Australia Commonwealth \$250,000,000

ANSWER:

NASA is in compliance with Section 211 of P.L. 95-507 which does not require subcontracting plans of small business concerns (contract #18371 and #37281) and for contracts or modifications that will be performed entirely outside of any State, territory, or possession of the United States, the District of Columbia, and the Commonwealth of Puerto Rico (contract #26500). Contract #26555 does have a subcontracting plan - see attachment 1.

QUESTION:

294's provided by NASA referenced below indicate seven contracts where goals set in subcontracting plans have not been met. Why is this allowed and what is being done to correct the situation?

- | | |
|--|---|
| * Grumman Data Systems Corp.
Contract #8-37000 | * Space & Electronics Group
Contract #8-37710 |
| * Lockheed Missiles & Co., Inc.
Contract #8-37800 | * Teledyne Brown Engineering
Contract #8-32712 |
| * Thiokol Corporation
Contract #8-38680 | * Lockheed Missiles & Space Co.,
Contract #8-37900 |
| * McDonnell Douglas Aerospace-Huntsville Division
Contract #8-39400 | |

ANSWER:

The status of each contract follows.

a. McDonnell Douglas, NAS8-39400, McDonnell Douglas Aerospace, is a new contract resulting from a recent recompetition. The small disadvantaged business (SDB) goal was negotiated at a very challenging level of 8.7 percent. Although the first SF 294 report shows an SDB achievement of 6.3 percent, this is the result of the prime subcontracting to large business at the beginning of the contract (actually a continuation because McDonnell Douglas was the predecessor contractor also), and with SDB competitions still in process.

Meetings with the prime contractor have been held. The prime contractor has a letter from the Center Director stressing the importance of the SDB goal accomplishment.

We have been assured that in time the contractor will be operating at goal level and the overall SDB goal of this contractor will be achieved or exceeded.

This contract has a 4-year duration.

b. Teledyne Brown, NAS8-32712, Teledyne Brown Engineering, is a completed contract and relatively old, dating back to 1978. The small disadvantaged business (SDB) achievement far exceeded the original dollar goals but total subcontract dollars grew significantly from the original estimate.

This contract has been recompleted recently. Teledyne Brown Engineering again won the competition. A higher SDB goal of 8.5 percent has been negotiated in the new contract. To date, the contractor is exceeding this new goal with accomplishments of 19.9 percent.

The contractor was recently given a letter from the MSFC Center Director stressing SDB program performance improvement. The contracting officer and the small business officer met with the contractor to discuss the plans to meet the Center Director's request for improvement.

The contractor has generally exceeded SDB goals over the years on most MSFC prime contracts. Overall, the SDB percentage on all NASA contracts has grown from 3.4 percent in FY 1990 to 14.7 percent through FY 1992. Although, the contractor is considered to have an overall good small business subcontracting program, we will continue taking steps to see that it brings its SDB program up to par as well.

c. Lockheed, NASA-37800 and NASA-37900(F), Lockheed Missiles and Space Company, Inc., are relatively new contracts for the design and development of an Advanced Solid Rocket Motor and associated facilities. This program is in the preliminary phase of a multi-billion dollar and multi-year requirement. Performance in small and small disadvantaged business (SDB) is being monitored both on the prime contractor and the two major teaming subcontractors.

An overall performance of the project is being judged against goals of 15.6 percent and 4.1 percent for small and SDBs, respectively, counting prime and major subcontractor awards. Although performance to date is averaging below overall project goals, this situation has been discussed at the highest level and this contractor has been given a letter by the Center Director calling for program improvement.

The actual production phase of this program has not yet begun and this is where greater SDB subcontracting opportunities are expected to take place. Also, this program has been plagued with funding cuts and budget restraints seriously limiting opportunities for small and SDB subcontracting. Nevertheless we will be monitoring this situation very closely and will assure that the goals are met.

d. Grumman, NAS8-37000, Grumman Data Systems, is a completed contract which began in 1985. The contractor's small disadvantaged business (SDB) goal was 1.4 percent and cumulative achievement was at 0.9 percent. We have been informed that this contractor had entered into an SDB subcontract for support services for the prime contract duration which would have resulted in goal achievement. According to the contractor however, early in the program, and supposedly at the request of the SDB subcontractor, this subcontracting arrangement was terminated. The contractor added no significant new SDB subcontractors to the program, resulting in a failure to achieve the SDB goal.

This contract was recently recompeted and the recompetition was won by Cray-Grumman Systems. Through aggressive subcontracting plan negotiations, a much higher SDB goal was negotiated at 8 percent of total subcontract dollars with 98 percent of the whole contract value being subcontracted.

Meetings have been held with the contractor stressing the seriousness of the accomplishment of this goal and performance will be tracked and evaluated throughout the life of this multi-year program.

e. TRW, NAS8-37710, is the design and development of a major hardware requirement, an Advanced X-Ray Astrophysics Facility (AXAF), NASA's next great observatory. This contract is in the early stage and is about to be totally restructured with a major change in the statement of work. The small disadvantaged business goal is 4 percent and the contractor's performance to date is slightly below the goal at 3.9 percent. Performance in this area has been and will continue to be evaluated in the award fee determination process. This contractor has also been given a letter from the Center Director stressing the importance of SDB accomplishment and calling for program improvement.

f. Thiokol, NAS8-38680(F), is a facilities contract associated with the major prime contract, NAS8-38100, for Redesign Solid Rocket Motor (RSRM), for the Space Shuttle.

Although performance to date on this facilities contract is 0.9 percent below goal, performance will increase with the planned procurement for work stations from a small disadvantaged business scheduled to be procured by the 2nd quarter of FY 1994.

Overall the RSRM program is outstanding in the small and small disadvantaged business (SDB) area, with cumulative SDB awards at 6.3 percent against a goal of 4.0 percent. This contractor has also been given a letter stressing the importance of SDB goal accomplishment and requesting program improvement.

Small business program performance on this program has been and will continue to be monitored and evaluated for award fee determination.

Again, thank you and the subcommittee for the opportunity to explain NASA's small disadvantaged business program. I am looking forward to working with you and the subcommittee in making NASA's program the best in the Federal Government.

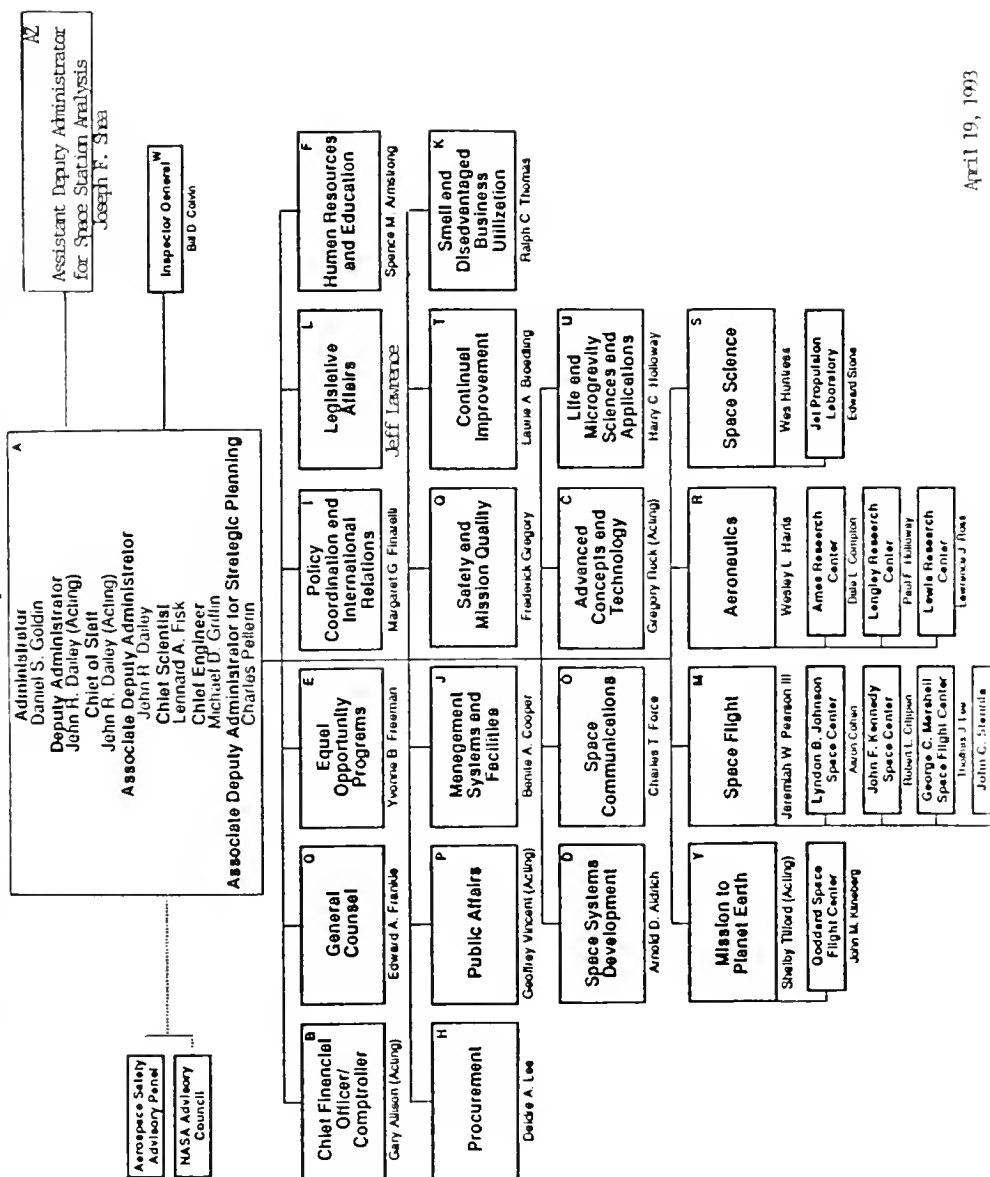
QUESTION:

Has any contracts been terminated for non-compliance with P.L. 95-507?

ANSWER:

No contract has been terminated for non-compliance with P.L. 95-507. By the time the Government could ascertain that a contractor's non-compliance was so substantial as to warrant termination, the contract would be nearly complete, and termination would generally not be in the best interest of the Government. In recognition of this, a liquidated-damages clause is required whenever a subcontracting plan is required. In addition, we utilize incentive-fee and award-fee contract types on most of our major programs. Performance against subcontracting goals is typically included in the incentives as an element of contract administration.

National Aeronautics And Space Administration



OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION

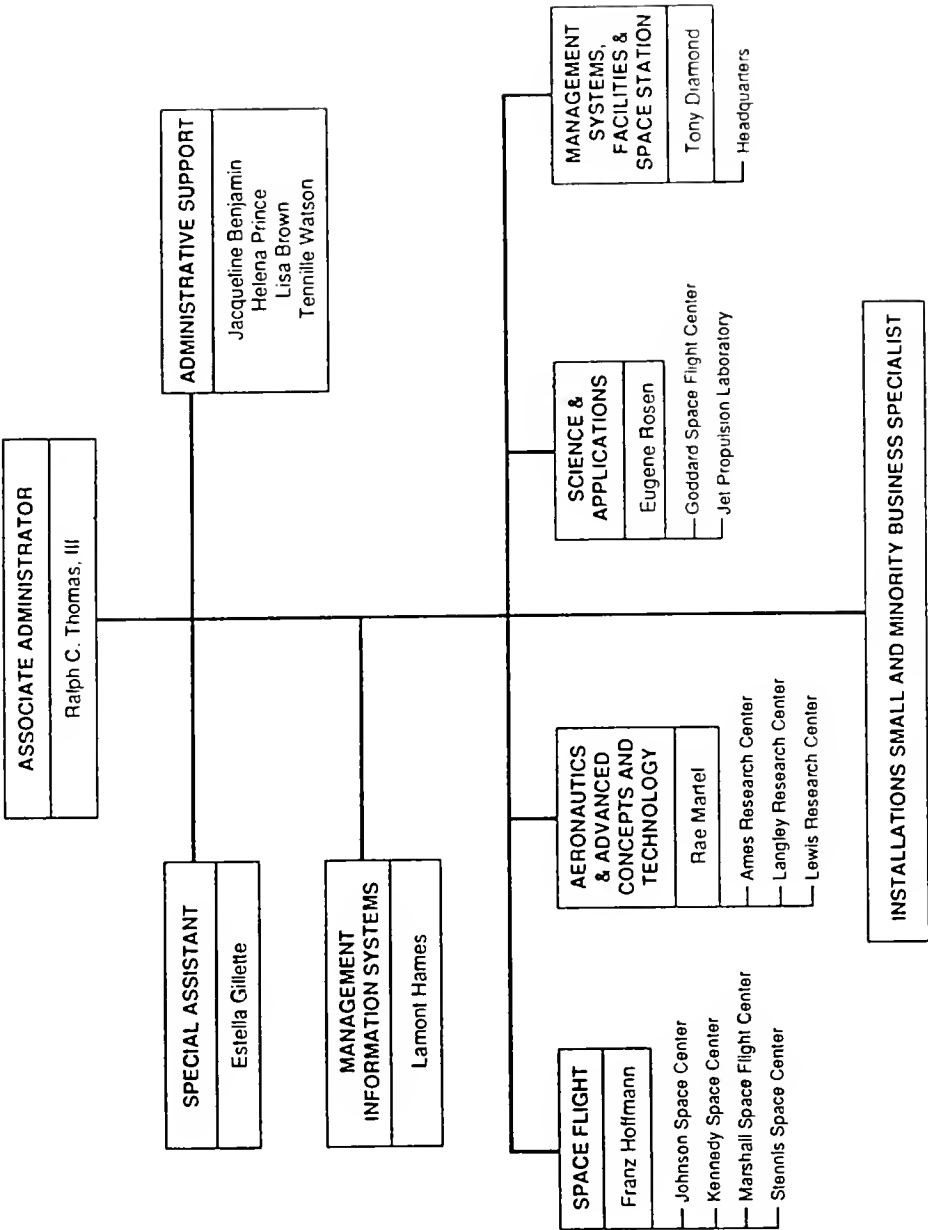


CHART 2

NASA's 8% SDB Goal Performance
(\$ in thousands)

	FY 1990	FY 1991	FY 1992
	-----	-----	-----
Baseline	11,514,983	11,909,999	12,086,499
	=====	=====	=====
Prime Awards			
SDB 8(a)	212,683	225,621	232,045
SDB Direct + FSS SDB Direct	81,202	70,246	50,319
Women-owned (small)	67,145	71,451	73,003
HBCU/OMI	---	19,968	47,968
Less Adj.*	(35,124)	(31,250)	(29,733)
	-----	-----	-----
Total Primes	325,906	356,036	373,602
Subcontract Awards			
SDB	285,756	267,343	341,373
Women-owned	---	89,363	150,138
HBCU/OMI	---	---	---
	-----	-----	-----
Total Subs	285,756	356,706	491,511
Total Prime & Subcontracts	611,662	712,742	865,113
	=====	=====	=====
Actual Percent Achieved	5.3%	6.0%	7.2%
Percent Achieved excluding subs	2.8%	3.0%	3.1%
Target Percent	---	6.1%	6.7%

* Adjustment for awards counted as BOTH SDB and Women-owned Small Business.

Dollars awarded under SBIR contracts are included in the above figures. Small purchases (non-reportables), FSS orders, grants, and agreements are also included.

ATTACHMENT I



3700 San Martin Drive
Baltimore, MD 21218
(301) 338-4700
Telex 6849101

SMALL BUSINESS AND SMALL DISADVANTAGED SUBCONTRACTING PLAN

- 1) Under the contract extension through modification #97 dated 08/20/90 a total of \$63,679,852 is expected to be available for potential subcontractors; of the foregoing amount it is estimated that \$32,079,852 will be utilized for the subcontract with the Computer Sciences Corporation (CSC) and a maximum amount of \$31,600,000 to be available for other contractors.
- 2) With respect to the maximum amount of \$63,679,852 that is expected to be available for subcontractors including CSC, we have established the following goals:
 - a) Total Subcontracted Dollars \$63,679,852
 - b) Total Small Business Subcontracted Dollars (25%) \$15,919,963
 - c) Total Small Disadvantaged Subcontracted Dollars (5%) \$ 3,183,993
- 3) (See attachment A)
- 4) The Institute's goals are developed on the basis of a percentage of total subcontracting dollars available under prime contract NAS5-26555 for the purchase of goods and services for STScI. The percentage goals of 25% for small businesses and 5% for small disadvantaged businesses are consistent with goals established in the first subcontracting plan incorporated into the prime contract by amendment #1.

It is noted that inclusion of 'CSC' subcontracting dollars with 'other' subcontracting dollars will result in a total amount available for subcontract of \$63,679,852. This combined figure approximately doubles the amount that represented total subcontracting dollars in the previous plan.

Since STScI is required to include CSC subcontract dollars as part of this revised plan it is noted that all future subcontract reports, as shown on the Standard Form 294, will show a much lower percentage of actual dollars subcontracted to Small Businesses (SBs) and Small Disadvantaged Business (SDBs). Also, since STScI has no direct control over the expenditures of CSCs portion of these total subcontract dollars consideration is expected when assessing the performance of STScI against the new percentage goals established in this plan and shown in the semiannual Standard Form 294.

- 5) There are various publications/lists in which STScI Purchasing Department uses to solicit bids from large, small & small disadvantage business. They are as follows:

- STScI Vendor's list (classifying vendors by commodity, large, small and small disadvantaged etc.).
- Minority Enterprises Directories (State & City).
- MD/DC Minority Supplier Development Council.
- Baltimore District - U.S. Small Business Administration Contractor's List.

- 6) Prime contract NAS5-26555 is a Cost Plus Management Fee Type Contract, therefore, all expenses are charged directly to the contract and billed to the Contracting Officer or his authorized representative pursuant to Article XIV of the prime contract.

- 7) The individual who will administer the subcontracting responsibilities to achieve the objective of the contract will be Booker Weaver, Purchasing Agent.

- 8) Ms. Rae Bradshaw, STScI Purchasing Assistant, is the designated STScI Small Business and Small Disadvantaged Business Liaison. Her phone number is (301) 338-5029. She has the general overall responsibility for review, monitoring and executions of the subcontracting plan, including but not limited to the following:

- a. Obtaining Small Business and Small Disadvantaged Business and sources from all applicable agencies such as The Maryland District of Columbia Minority Supplier Development Council.
 - b. Assuring inclusion of Small Business and Small Disadvantaged Business firms in all solicitations where appropriate and cost efficient.
 - c. Attending or arranging for attendance at Business Opportunity Workshops, Minority Business Enterprises Seminars, Trade Fairs etc.
 - d. Conducting or arranging for motivational training for purchasing personnel pursuant to the intent of P.L. 95-507.
 - e. Monitoring attainment of proposed goals.
 - f. Reviewing solicitations to remove statements, clauses, etc., which may tend to prohibit Small Businesses and Small Disadvantage Businesses participation.
- 9) Clause entitled "Utilization of Small Business Concerns and Small Disadvantaged Business Concerns Owned" is included in AURA's contract with (NASA) for the management of Space Telescope Science Institute and will be included in this subcontracting plan and included by reference in all eligible subcontracts.

10) Standard Form 294, Subcontracting Report for Individual Contracts, and Standard Form 295, Summary Subcontract Report will be submitted on a semi-annual basis.

11) Internal records for monitoring Small Businesses (SBs) and Small Disadvantaged Business (SDBs) will be implemented as follows:

- It is the obligation of all purchasing personnel to seek out and assist Small Business (SBs) and Small Disadvantaged Business (SDBs) in becoming familiar with STSCI requirements for products and services.
(Subcontracting solicitation for products and services particularly contracts estimated at \$100,000 and over will include SBs and SDBs).

There will be every attempt made to locate and encourage SBs and SDBs participation in STSCI bid proposals, contract etc., using various sources (as mentioned in Item #5) for example, Minority Enterprises Directories (City and State, U.S. Small Business Administration Contractor's List, STSCI Vendor's List etc. STSCI Vendor's List is categorized by Large, Small & Small Disadvantaged Business, however, there will be a separate file kept up-to-date monthly for Small & Small Disadvantaged Businesses.

- When a Small Business (SB) or Small Disadvantaged Business (SDB) shows interest in submitting a proposal for a subcontract, reasonable effort is initiated to give these businesses adequate consideration and to emphasize, for example - bid due dates, requirements, specification detail etc.
- Assistance is offered i.e. - counseling, discussion on government regulations, contracts, given all such businesses an opportunity to adequately qualify to compete over a period of time.

The Small Business (SB) and Small Disadvantaged Business (SDB) Subcontracting Plan will be monitored and assessed monthly to measure progress towards achieving STSCI stated goals (25% Small Businesses & 5% Small Disadvantaged Businesses.)

ATTACHMENT A

Identification of the principal products/services to be subcontracted, associated dollar amounts, and the type and size of business is presented below as follows:

LARGE BUSINESS: 1
 SMALL BUSINESS: 2
 SMALL DISADVANTAGE BUSINESS: 3

TOTAL SUBCONTRACTING DOLLARS: \$63,679,852.00

<u>PRODUCT/SERVICE</u>	<u>DOLLARS BY TYPE/SIZE DOLLARS</u>	<u>BUSINESS</u>
Advertising: (Public Relations)	\$1,910,395.56(3%)	\$1,337,276.89 (1) 477,598.89 (2) 95,519.78 (3)
Architects:	1,910,395.56(3%)	1,337,276.89 (1) 477,598.89 (2) 95,519.78 (3)
✓ Computer Equipment:	15,800,000.00(25%)	11,060,000.00 (1) 3,950,000.00 (2) 790,000.00 (3)
✓ Computer Supplies/ Services:	22,407,911.20(35%)	15,685,537.84 (1) 5,601,977.80 (2) 1,120,395.56 (3)
✓ Construction:	636,798.52(1%)	445,758.96 (1) 159,199.63 (2) 31,839.93 (3)
✓ Drafting:	636,798.52(1%)	445,758.86 (1) 159,199.63 (2) 31,839.83 (3)
✓ Electrical Equipment:	3,183,992.60(5%)	2,228,794.82 (1) 795,898.15 (2) 159,199.63 (3)

✓ Electrical Supplies/ Services:	1,910,395.56(3%)	1,337,276.89 (1) 477,598.89 (2) 95,519.78 (3)
Engineering:	3,183,992.60(5%)	2,228,794.82 (1) 795,998.15 (2) 159,199.63 (3)
✓ Equipment Rental	636,798.52(1%)	445,758.96 (1) 159,199.63 (2) 31,839.93 (3)
✓ Hauling/Moving	636,798.52(1%)	445,758.96 (1) 159,199.63 (2) 31,839.93 (3)
✓ Janitorial/Cleaning Services:	636,798.52(1%)	445,758.96 (1) 159,199.63 (2) 31,839.93 (3)
Management Services:	1,273,597.04(2%)	891,517.93 (1) 318,399.26 (2) 63,679.85 (3)
✓ Paper & Office Supplies:	6,367,985.20(10%)	4,457,589.64 (1) 1,591,996.30 (2) 318,399.26 (3)
✓ Printing:	1,273,597.04(2%)	891,517.93 (1) 318,399.26 (2) 63,679.85 (3)
✓ Security Services:	1,273,597.04(2%)	891,517.93 (1) 318,399.26 (2) 63,679.85 (3)
	\$63,679,852.00	\$63,679,852.00

TESTIMONY
before
THE HOUSE SUBCOMMITTEE ON SMALL BUSINESS

DR. ROBERT L. WRIGHT
PRESIDENT AND CEO
DIMENSIONS INTERNATIONAL, INC.

TUESDAY, MAY 18, 1993

GOOD MORNING, MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, FELLOW SMALL BUSINESS PERSONS, LADIES AND GENTLEMEN, IT IS A PLEASURE TO APPEAR HERE THIS MORNING TO SHARE WITH YOU DIMENSIONS INTERNATIONAL, INC.'S EXPERIENCES AS THEY RELATE TO BUSINESS DEVELOPMENT AND PROCUREMENT PROCESSES AT THE NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA).

DIMENSIONS INTERNATIONAL IS A U.S. SMALL BUSINESS ADMINISTRATION CERTIFIED 8(A) ENGINEERING FIRM LOCATED IN ALEXANDRIA, VIRGINIA. OUR FOCUS AND EXPERTISE LIE IN THE AREAS OF RADAR, AIR TRAFFIC CONTROL AND SURVEILLANCE SYSTEMS. WE ARE ACTIVE IN THE AREAS OF RADAR AND AIR TRAFFIC CONTROL PROTOCOLS; SIMULATION, RISK MANAGEMENT AND ANALYSIS, AND COMPUTER-AIDED LOGISTICS SYSTEMS.

WE BEGAN OUR EFFORTS TO OBTAIN BUSINESS FROM NASA SHORTLY AFTER OBTAINING OUR 8(A) CERTIFICATION FROM THE U.S. SMALL BUSINESS ADMINISTRATION (SBA) IN 1987. UNFORTUNATELY, WE WERE UNSUCCESSFUL. WE MET WITH THE INDIVIDUALS IN CHARGE OF THE OFFICE OF SMALL BUSINESS UTILIZATION, ATTENDED WORKSHOPS, TRADE FAIRS, SUBMITTED NUMEROUS SF129'S, AND GENERALLY WENT THROUGH THE STEPS OUTLINED BY THOSE IN CHARGE OF THE MINORITY BUSINESS PROGRAM. AS A FORMER ASSOCIATE ADMINISTRATOR OF THE U.S. SMALL

BUSINESS ADMINISTRATION 8(A) PROGRAM IN THE EARLY 1980S, I HAD A WORKING INVOLVEMENT WITH PRACTICALLY ALL AGENCIES OF GOVERNMENT AS IT RELATES TO BUSINESS OPPORTUNITIES FOR SMALL DISADVANTAGED AND WOMEN OWNED BUSINESSES. AT THAT TIME, NASA, AS WELL AS OTHER AGENCIES, WERE NOT VERY AGGRESSIVE IN MAKING SURE THAT MINORITY AND WOMEN OWNED BUSINESSES WERE AFFORDED TO OPPORTUNITY TO RECEIVE CONTRACTS THAT WOULD GIVE THEM AN OPPORTUNITY TO DEVELOP A HIGHLY TECHNICAL AND HIGHLY COMPETITIVE BUSINESS. WHEN DIMENSIONS INTERNATIONAL BEGAN TO MARKET NASA SEVERAL YEARS AGO WE WERE NOT ABLE TO PENETRATE THE NASA PROCUREMENT NETWORK.

I FOCUSED MY ATTENTION AND RESOURCES TO THE U.S. DEPARTMENT OF TRANSPORTATION, SPECIFICALLY THE FEDERAL AVIATION ADMINISTRATION (FAA). I WAS ABLE TO ESTABLISH A NICHE THERE, IT ALSO PROVIDED THE OPPORTUNITY TO BECOME INVOLVED IN AN AREA WHICH IS VITAL TO THE NATION AS A WHOLE, THE NATIONAL AIR PASSENGER TRANSPORTATION SYSTEM. SINCE THAT CONTRACT IN 1989, WE HAVE BEEN ABLE TO ESTABLISH DIMENSIONS INTERNATIONAL AS A LEADER IN THE FIELDS OF AIR TRAFFIC CONTROL, RADAR AND SURVEILLANCE SYSTEMS.

LAST YEAR WE WERE ABLE TO OBTAIN A CONTRACT WITH THE DEPARTMENT OF TRANSPORTATION, OFFICE OF COMMERCIAL SPACE TRANSPORTATION TO PROVIDE RANGE AND SITE SAFETY ENGINEERING FOR COMMERCIAL LAUNCHES. WE EMPLOY ENGINEERS WHO ARE EXPERTS IN THE AREA OF RISK MANAGEMENT; RISK ASSESSMENT; RELIABILITY-ASSESSIBILITY-MAINTAINABILITY (RAM); AND SUPPORTABILITY TECHNOLOGIES. AS A RESULT, WE HAVE RECENTLY BEEN AWARDED A CONTRACT FROM NASA TO PERFORM SPACE FLIGHT RISK AND RELIABILITY DATA COLLECTION AND ANALYSIS. WE HAVE ALSO SUBMITTED A

QUALIFICATIONS STATEMENT TO NASA RELATING TO RISK MANAGEMENT, INVOLVING ASPECTS OF PROBABALISTIC RISK ASSESSMENT AND MANAGEMENT (PRAM).

OUR RELATIONSHIP WITH NASA HAS BEEN FRUITFUL OVER THE PAST YEAR. I BELIEVE THAT OUR SUCCESS LIES IN A BASIC CHANGE IN THE WAY MINORITY BUSINESSES ARE SERVICED AT THE AGENCY. THIS CHANGE IS DUE TO THE STEADFASTNESS OF THE CURRENT NASA ADMINISTRATOR, MR. DAN GOLDIN. NOT ONLY HAS HE GONE ABOUT THE BUSINESS OF TRANSFORMING THE AGENCY FROM WITHIN, HE HAS PUBLICLY STATED ON THE RECORD INDICATING A CHANGE IN THE WAY NASA WILL DO ITS BUSINESS, THAT IS TO INCLUDE MINORITY, WOMEN-OWNED AND DISADVANTAGED BUSINESSES IN THE PROCUREMENT PROCESS. THE PRESENT FOCUS IS NOT JUST FOR SMALL AWARDS, BUT TO GET MINORITY BUSINESSES INVOLVED IN HIGHLY TECHNICAL REQUIREMENTS WITH GREAT RESPONSIBILITIES. HE HAS ASSEMBLED AN EXPERIENCED TEAM OF PROFESSIONALS TO OPERATE THE PROGRAM, AND HAS FORMED THE MINORITY BUSINESS RESOURCE ADVISORY COMMITTEE, SPEARHEADED BY HANK WILFONG, ANOTHER FORMER ASSOCIATE ADMINISTRATOR FOR MINORITY SMALL BUSINESS AT THE SMALL BUSINESS ADMINISTRATION. THIS ADVISORY COMMITTEE PROVIDES RECOMMENDATIONS AND ADVICE TO THE ADMINISTRATOR ON THE STATE AND THE PROGRESS OF MINORITY BUSINESS PARTICIPATION AT NASA.

IN CONCLUSION, MR. CHAIRMAN, DIMENSIONS INTERNATIONAL'S EXPERIENCES WITH NASA OVER THE LAST YEAR CAN BE CHARACTERIZED AS EXTREMELY GOOD. WHILE THE ACTUAL AWARD PROCESS COULD BE MORE EFFICIENT, IT IS OUR POSITION THAT THE CHANGES TAKING PLACE WITHIN THE AGENCY ARE POSITIVE, THUS IMPROVEMENTS WILL CONTINUE TO OCCUR. IT IS OUR SINCERE HOPE THAT OUR SMALL SUCCESS CAN BE DUPLICATED BY OTHER FIRMS, AND OF COURSE, WE ARE LOOKING

FORWARD TO BECOMING MORE INVOLVED WITH NASA BECAUSE OF THE TREMENDOUS OPPORTUNITIES TO DEVELOP ENGINEERING CAPABILITIES IN THE SPACE INDUSTRY.

AGAIN, MR. CHAIRMAN, IT HAS BEEN A PLEASURE TO COME BEFORE YOU THIS MORNING, AND I HOPE THAT THESE FEW REMARKS ARE HELPFUL TO YOU AND THE COMMITTEE IN DISCHARGING YOUR DUTIES .

THANK YOU.



Testimony given by
Joseph Fuller, Jr.
President, Futron Corporation

to

United States House of Representatives
Committee on Small Business
Subcommittee on Minority Enterprise, Finance, and Urban Development

May 18, 1993

Futron Corporation is an engineering and management consulting firm which I started in 1986. My company received its 8(a) status in 1989 and since that time has performed on more than 20 government contracts which include extensive work with NASA as both a prime and subcontractor.

The focus of this Subcommittee hearing is one that is critical to the growth and development of Small and Disadvantaged Businesses and I appreciate the opportunity to address the issues that affect the future of small business. Our hope for the future is to see these companies thriving in the mainstream, successfully competing with traditionally dominant technology companies.

In our case, Futron was awarded its NASA contracts by actively marketing its services to the agency. Because we are experts in the areas of engineering, management and organization effectiveness, we understand the problems faced by NASA and target our solutions to meet their specific requirements. Over the years we have developed a solid working relationship with our NASA customers and have found them to be cooperative partners at all levels. Mr. Goldin and Mr. Thomas are making great strides toward making NASA a leader in advancing the cause of Small and

Disadvantaged Businesses and we applaud their aggressive approach in awarding contracts to these firms.

However, we believe that there is still a lot of work to be done before minority-owned companies attain equal status with other government contractors. Small and Disadvantaged Businesses are underrepresented within mainstream projects. While they are often awarded contracts for non-critical work, these companies lag far behind in high technology and other important areas. Often these companies meet the qualifications, but there is a reluctance on the part of the government agency to award contracts for critical work. While NASA has shown itself to be open to changing this, government in general is still slow in this regard.

A second concern has to do with the directive of the Office of Management and Budget to reduce the amount of support services contract work now awarded by government agencies. There are few Small and Disadvantaged Businesses manufacturing high technology products and equipment. Most of their work is done in the service area and if this directive, as it stands is carried out, a highly disproportionate number of minority-owned companies will suffer. It is our strong belief that cutting back on the amount of work awarded to these support service contractors would seriously undermine the advances already made not only by minority and disadvantaged businesses but by the small business community as a whole.

Thank you for the opportunity to submit testimony on this vital subject.



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